DOCUMENT RESUME

ED 189 983 HE 012 927

TITLE	Study of Program Management Procedures in the Basic Grant and Campus Based Programs. Final Report, Vol. 1: The Institutional Administration of Student Financial Aid Programs.
INSTITUTION	Applied Management Sciences, Inc., Silver Spring, Md.
SPONS AGENCY	Department of Education, Washington, D.C.
REPORT NO	G-129
PUB DATE	May 80
CONTRACT	300-77-0498
NOTE	328p.; For related document see HE 012 928
EDRS PRICE	MF01/PC14 Plus Postage.
DESCRIPTORS	College Students: Eligibility: Federal Aid: *Federal Programs: Federal State Relationship: Financial Needs: *Government School Relationship: Higher Education: Need Analysis (Student Financial Aid): *Program Administration: Program Effectiveness: Program Implementation: *School Responsibility: *Student Financial Aid: Student Loan Programs

ABSTRACT

The institutional administration of student financial aid programs is examined in this first of a two-volume study on program management procedures in the Basic Grant and Campus Based assistance programs. Sections I and II begin by sketching the background and context of the subject of student aid with emphasis on institutional practices, i.e., the history of its development, a review of the existing literature, and a discussion of the distribution of Federal student aid funds. Section III begins with a profile of institutional financial aid office operations and concludes with a discussion of the interface between these offices and the Federal government. The final sections explore various aspects of the role of the institution regarding student need analysis, budgeting, aid packaging, loan management, student information, monitoring and validation. Appendices include major project deliverables and the current financial aid programs administered by the U.S. Department of Education. Exhibits, figures, and tables offer statistical support throughout the report. (LC)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

HE

Applied Management Sciences

ED189983

U S DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY

HE 012 927

Applied Management Sciences, Inc. ◆ 962 Wayne Avenue ◆ Silver Spring, Maryland 20910 ◆ (301) 585-8181

APPLIED
MANAGEMENT
SCIENCES

This report is made pursuant to Contract No. OE 300-77-0498. The amount charged to the Department of Health, Education, and Welfare for the work resulting in this report (inclusive of the amounts so charged for any prior reports submitted under this contract) is $985,402. The names of the persons employed or retained by the contractor, with managerial or professional responsibility for such work, or for the content of the report, are as follows:

Dr. Robert T. Deane, Project Director
Mr. Michael J. Puma, Principal Investigator
Mr. Scott Miller, Project Analyst
Mr. Richard Ellis, Technical Manager
Mr. Alan Cohen, Senior Research Scientist
Dr. Joseph Felder, Technical Manager
Ms. Wendy Dellefield, Project Analyst
Mr. Thomas Musso, Project Analyst

G-129

STUDY OF PROGRAM MANAGEMENT PROCEDURES IN THE BASIC GRANT AND CAMPUS BASED PROGRAMS
FINAL REPORT

VOLUME I: THE INSTITUTIONAL ADMINISTRATION OF STUDENT FINANCIAL AID PROGRAMS

May 1980

DEPARTMENT OF EDUCATION
Office of Program Evaluation
Transpoint Building, Room B-110
Washington, D.C. 20202

APPLIED MANAGEMENT SCIENCES

JUL 21 1980

ACKNOWLEDGEMENTS

Principal Authors: Mr. Scott Miller
Dr. Robert Deane
Mr. Thomas Musso

Other authors contributing to this volume were: Ms. Wendy Dellefield, Mr. Michael Puma, Dr. Joseph Felder and Mr. Richard Ellis.

This study could not have been completed without the assistance of Ms. Billie Hulse, Mr. Richard Joseph, Ms. Raiford Durham, and Mr. Douglas Darby who supervised the editing, coding, and receipt control aspects of the data collection efforts. Special thanks are due to the remainder of the staff of Applied Management Sciences technical assistants who readied the raw data for inclusion in the computer file. The eighteen field interviewers who conducted the site visits for this study deserve notice for the high quality of information which they obtained under sometimes adverse, but always unique, conditions.

The project staff would especially like to express it gratitude to Dr. Alexander Ratnofsky and Dr. Salvatore Corallo who have served as Project Officers on this study. Throughout the course of this study the project staff has utilized the services of an Advisory Panel consisting of: Ms. Goldie Claiborne, Director of Financial Aid for Howard University; Dr. Dale Hyerstay, Director of Financial Aid for the University of Vermont; Mr. Merle Lange, Director of Financial Aid for Glendale (Arizona) Community College; Ms. Joyce Dunegan of the National Association of Student Financial Aid Administrators; Dr. James Hearn and Dr. Shannon James of the American College Testing Program; Mr. Joel Packer, Assistant Director of Governmental Relations for the National Association of State Universities and Land-Grant Colleges; Dr. Barry Chiswick of the Department of Economics at the University of Chicago at Chicago Circle; Dr. Teh-wei Hu of the Department of Economics at Pennsylvania State University; and Dr. Dallas Merrell, President of Merrell Associates, a management consulting firm. Their expertise, opinions, and judgement have provided additional perspectives to this study.

Finally, all of the persons connected with the inception design, and implementation of this project remain indebted to the financial aid officers and staffs at the 172 postsecondary institutions which were visited as part of the data collection efforts. Without the cooperation of these personnel this study could never have come to a successful conclusion.

NOTE TO THE READER

This report has been produced in three separate and distinct volumes. Volume I contains material related to the institutional management of student financial aid; Volume II focuses on the effect of the various aid programs on postsecondary students; the final volume is a Summary which highlights the most significant aspects of the study's findings. In lieu of a single abstract, the preface to each of the sections of Volumes I and II provides an overview of the material discussed therein - (Volume I contains five sections; Volume II contains two sections). For a summary of the findings of both volumes, the reader is, of course, referred to the Summary volume which was prepared for this purpose.

TABLE OF CONTENTS

Chapter | Page

SECTION I: INTRODUCTION

Preface I.1

1 INTRODUCTION

Contents of this Volume 1.1
Study Background 1.1
The Impetus for the Study 1.2
Research Objectives 1.3
The Scope of Federal Support to Postsecondary Education 1.4
Current Topics of the Debate on Student Financial Assistance 1.7
Research Approach and Methodology 1.11

2 BACKGROUND

Introduction 2.1
A Brief Historical Perspective 2.2
Policy Goals 2.17
Historical Survey of the Literature 2.24
List of Selected References 2.31

SECTION II: THE INTERFACE BETWEEN POSTSECONDARY INSTITUTIONS AND THE FEDERAL GOVERNMENT

Preface II.1

3 INSTITUTIONAL MANAGEMENT OF STUDENT FINANCIAL AID PROGRAMS

General Scope of Student Financial Aid Management 3.1
Student Services 3.3
Specific Management Practices 3.4

4 THE DISTRIBUTION OF FEDERAL STUDENT AID FUNDS

The Actors 4.1
Consistency of Practices 4.5

SECTION III: INSTITUTIONAL DESCRIPTIVE RESULTS

Preface III.1

5 INSTITUTIONAL PROFILE

Introduction 5.1
Description of the Institutions in the Study 5.1
The Issues 5.3
Allocating Aid Office Duties 5.3
Results 5.5
Allocation of Office Activities 5.5
The Cyclical Pattern of Financial Aid Office Activities 5.7
General Characteristics of Aid Office Personnel 5.19
Office Staff Productivity 5.27
Attachment A 5.30

TABLE OF CONTENTS (Continued)

Chapter Page

6 INSTITUTIONS AND THE FEDERAL GOVERNMENT
- Introduction 6.1
- Applications and Reports 6.1
- Audits and Program Reviews 6.2
- The Issues 6.4
- Results 6.5
- Program Participation 6.5
- Sources of FISAP Data 6.9
- Costs of FISAP Preparation 6.10
- Summary 6.15

7 FINANCIAL NEED ANALYSIS
- Introduction 7.1
- Application for Aid 7.1
- Family Contribution 7.3
- The Issues 7.4
- Need Analysis Formulas 7.4
- Computing Eligibility 7.7
- Results 7.8
- Use of Need Analysis Systems 7.8
- Adjusting the Expected Contribution 7.11
- Summary 7.13

SECTION IV: NEED ANALYSIS, BUDGETING AND PACKAGING
- Preface . . . . IV.I

8 DETERMINING THE COST OF EDUCATION: STUDENT EXPENSE BUDGETS
- Introduction 8.1
- The Issues 8.4
- Results 8.8
- Standard Budgets Adopted by Institutions 8.8
- Adjustments to Standard Budgets 8.15
- Summary 8.24
- Attachment A 8.26

9 PACKAGING: COMBINING AID RESOURCES FOR THE STUDENT
- Introduction 9.1
- The Issues and Components of an Aid Package 9.1
- Results 9.10
- Specific Packaging Practices 9.15
- Summary 9.19

TABLE OF CONTENTS (Continued)

Chapter Page

SECTION V: STUDENT SERVICES: INSTITUTIONAL RESPONSIBILITIES
Preface . . . . V.I

10 ADMINISTRATION OF THE NATIONAL DIRECT STUDENT LOAN PROGRAM
Introduction 10.1
Federal Management Guidelines 10.2
The Issues 10.7
The Compliance-Default Relationship 10.8
The Results 10.10
Compliance with Guidelines 10.11
Profiles of Extremes in Default Rates 10.34
Multivariate Analysis of Default Rates 10.36
Student vs. School Contributions to the Default Rate . 10.42

11 STUDENT INFORMATION
Introduction 11.1
The Issues of Consumerism 11.2
Results: Uses and Sources of Information 11.6
The Role of the Student 11.8
Counseling Services 11.17
Summary 11.24

12 RECIPIENT MONITORING
Introduction 12.1
Aid Disbursement Controls 12.2
Procedures to Prevent Multiple or Overawarding of Aid 12.4
Recovering Overawards 12.6
Summary 12.9

13 VERIFYING REPORTED DATA: STUDENT VALIDATION
Introduction 13.1
Results: Institutional Validation Procedures 13.3
Validation of Campus Based Applications 13.5
The Validation Process and the Student 13.7
Summary 13.8

APPENDIX A: Major Project Deliverables

APPENDIX B: The Current Financial Aid Programs Administered by the U.S. Office of Education

LIST OF EXHIBITS

Exhibit	Title	Page
1.1	Sources of Funds for Postsecondary Education	1.5
1.2	Financing Postsecondary Education: Where Does the Money Come From?	1.6
2.1	Significant Dates in the Federal Support of Higher Education	2.4
IV.1	The Financial Aid Package	IV.3
IV.2	Determination of Need	IV.4
9.1	Hypothetical Packaging Rules	9.4
9.2	Examples of Unpackaged Need - Aid is Packaged up to a Fixed Dollar Amount	9.6
9.3	Examples of Unpackaged Need - Aid is Packaged up to a Fixed Percentage of Need (75%)	9.7

9

LIST OF FIGURES

Figure	Title	Page
5.1	Seasonal Pattern of all Reported Financial Aid Office Activities	5.9
5.2	Seasonal Variation in the Percentage Composition of the Total Reported Aid Office Activities by Month .	5.10

LIST OF TABLES

Table	Title	Page
1.1	Percentage Increase in Federal Support to Post-secondary Education 1965-1979	1.7
5.1	Selected Basic Characteristics of Sample Institutions Participating in the Study, by Institutional Level and Control: Academic Year 1978-79	5.2
5.2	Activity Frequency Counts and Percentage Composition of These Counts for Major Activity Groupings, by Month: Academic Year 1978-79	5.7
5.3	Allocation of Staff Time Among Activity Categories, by Institutional Level and Control: Academic Year 1978-79	5.13
5.4	Allocation of Staff Time Among Activity Categories, by Institutional Level and Control: Academic Year 1978-79	5.15
5.5	The Scope of Financial Aid Workload as Measured by a Variety of Selected Statistics, by Institutional Level and Control: Academic Year 1978-79	5.17
5.6	Number of Aid Staff for Personnel Categories, by Institutional Level and Control: Academic Year 1978-79	5.20
5.7	Education and Work Experience of Full-Time and Part-Time FAO Professionals, by Institutional Level and Control: Academic Year 1978-79	5.22
5.8	Mean Salaries (in Annual Dollars) for Selected Personnel Categories, by Institutional Level and Control: Academic Year 1978-79	5.23
5.9	Percent of Institutions Giving Specific Reasons for Hiring and Retention Problems, by Institutional Level and Control: Academic Year 1978-79	5.24
5.10	Percentage of Institutions Using Various Recruitment Sources for Aid Professionals, by Institutional Level and Control: Academic Year 1978-79	5.25
5.11	Percentage of Institutions Using Various Recruitment Selection Criteria in Hiring Aid Professionals, by Institutional Level and Control: Academic Year 1978-79	5.26

LIST OF TABLES (Continued)

Table	Title	Page
5.12	Selected Measures of Financial Aid Office Worker Productivity and Scale of Operations by Institutional Level and Control: Academic Year 1978-79	5.28
5.A	Counts of Activities Reported by Sample Schools by Month Reported: Academic Year 1978-79	A.3
6.1	Percent of Institutions Participating in Federal Support Aid Programs by Level and Control of Institution: Academic Year 1978-79	6.6
6.2	Reasons Institutions Offer for Nonparticipation in Campus Based Programs: Academic Year 1978-79	6.6
6.3	Average Number of Years Institutions Participate in Federal Aid Programs, by Level and Control of Institution: Academic Year 1978-79	6.7
6.4	Percent of Institutions Reporting Various Reasons for Providing Additional Information for Part B Funding, by Level and Control of Institution: Academic Year 1978-79	6.8
6.5	Percent of Institutions Reporting Various Reasons for Not Providing Additional Information for Part B Funding, by Level and Control of Institution: Academic Year 1978-79	6.9
6.6	Percent of Institutional Offices which Provide Information Required on FISAP: Academic Year 1978-79	6.11
6.7	Percent of Institutions Using Selected Procedures to Calculate Information Required on FISAP: Academic Year 1978-79	6.11
6.8	Average Costs of FISAP Preparation, by Level and Control of Institution: Academic Year 1978-79	6.12
6.9	Percent of Institutions Employing Various Procedures to Package Financial Aid While Awaiting USOE Notification, by Level and Control of Institution: Academic Year 1978-79	6.13
6.10	Percent of Institutions Using Letter of Credit, by Level and Control of Institution: Academic Year 1978-79	6.14

LIST OF TABLES (Continued)

Table	Title	Page
7.1	Percent of Institutions Using Various Need Analysis Systems: Academic Year 1978-79	7.9
7.2	Percent of Need Analysis Systems in Use by Level and Control of Institution: Academic Year 1978-79 . .	7.10
7.3	Percent of Calculated Parental Contributions Adjusted: Academic Year 1978-79	7.11
7.4	Circumstances Which Prompt Schools to Adjust the Calculated Family Contribution: Academic Year 1978-79	7.12
8.1	Student Budget Totals for Four Standard Budgets, by Level and Control of Institution Net of Tuition and Fees: Academic Year 1978-79	8.8
8.2	Basic Student Budgets (in Dollars), By Type and Control of Institution: Academic Year 1978-79	8.11
8.3	Percent of Indirect (Living) Costs in Basic Budget, by Level and Control of Institution: Academic Year 1978-79	8.12
8.4	Room and Board Allowance for Married Students (in Dollars), by Level and Control of Institution: Academic Year 1978-79	8.13
8.5	Percent of Institutions Employing Various Practices with Regard to Student Estimated Budgets: Academic Year 1978-79	8.16
8.6	Percent of Institutions Employing Specific Budget Adjustments for Students with One Dependent: Academic Year 1978-79	8.17
8.7	Percent of Institutions Which Make Budget Adjustments for Part-Time Students: Academic Year 1978-79	8.20
8.8	Percent of Institutions which Make Adjustments to Expense Budgets Made for Students with a Student Spouse: Academic Year 1978-79	8.21

LIST OF TABLES (Continued)

Table	Title	Page
8.9	Percent of Institutions Employing Specific Budget Adjustments for Academic Program Costs: Academic Year 1978-79	8.23
8.10	Institutions which Employ Specific Budget Adjustments for Other Educationally-Related Expenses (e.g., Higher Transportation Costs): Academic Year 1978-79	8.23
8.A	Dollar Values for Various Student Budgets, by Institutional Level and Control and Student Type: Academic Year 1978-79	A.1
9.1	Estimated Percentage of Institutions Using Different Packaging Typologies and Percentage of Students Packaged with Each: Academic Year 1978-79	9.11
9.2	Estimated Percentage of Packaging Typologies Used by Various Institutional Types: Academic Year 1978-79	9.12
9.3	Estimated Percentage of Basic Packaging Typologies Used by Selective Packaging Practices: Academic Year 1978-79	9.18
10.1	Numbers of Reporting Schools, by NDSL Fund Type and Institutional Level and Control: Academic Year 1978-79	10.11
10.2	Percentage of Schools Complying with Selected NDSL Award Counseling Guidelines, by Institutional Level and Control: Academic Year 1978-79	10.12
10.3	Percentage of Schools Which Comply with NDSL Award Counseling Requirements and Which Also Comply with Other Award Counseling Specifications, by Institutional Level and Control: Academic Year 1978-79	10.13
10.4	Percentage of Schools Which Comply with the Prior-to-Award Counseling Requirement Only Which Also Comply with Other NDSL Counseling Specifications, by Institutional Level and Control: Academic Year 1978-79	10.14
10.5	Percentage of Schools Complying with the Contemporary Award Counseling Requirement Only Which Also Comply with Other NDSL Award Counseling Specifictions by Institutional Level and Control: Academic Year 1978-79	10.16

LIST OF TABLES (Continued)

Table	Title	Page
10.6	Percentage of Schools Providing General Statements with the NDSL Loan Officer, by Institutional Level and Control: Academic Year 1978-79	10.17
10.7	Percentage of Schools Conducting NDSL Exit Interviews which Comply with Other Exit Interview Specifications, by Institutional Level and Control: Academic Year 1978-79	10.19
10.8	Percentage of Schools with Formalized Procedures to Monitor Student Termination, by Institutional Level and Control: Academic Year 1978-79	10.21
10.9	Percentage of Schools Using Selected Grace Period Tracking Procedures for NDSL, by Institutional Level and Control: Academic Year 1978-79	10.21
10.10	Percentage of Schools Using Various Procedures to Deal with NDSL Delinquency, by Institutional Level and Control: Academic Year 1978-79	10.23
10.11	NDSL Default Rates in Percentages, by Institutional Level and Control: Academic Year 1978-79	10.26
10.12	NDSL Default Rates, in Percentages, for Selected Compliance Conditions, by Institutional Level and Control: Academic Year 1978-79	10.28
10.13	NDSL Default Rates, in Percentages, for NDSL Fund Status and Years in Operation, by Institutional Level and Control: Academic Year 1978-79	10.29
10.14	NDSL Default Rates, in Percentages, for Delinquency Definition Categories, by Institutional Level and Control: Academic Year 1978-79	10.31
10.15	NDSL Default Rates, in Percentages, for Cost of Education and Packaging Philosophy Categories, by Institutional Level and Control: Academic Year 1978-79	10.32
10.16	NDSL Default Rates, in Percentages, for Levels of Financial Aid Office Staff Effort, by Institutional Level and Control: Academic Year 1978-79	10.34

15

LIST OF TABLES (Continued)

Table | Title | Page

10.17 Comparative Profiles (Mean Statistics) of High and Low NDSL Default Rate Schools, by Institutional Level and Control and NDSL Default Rate Category: Academic Year 1978-79 . . . . 10.37

10.18 Results of Multiple Regression of NDSL Default Rate on Selected Characteristics: Academic Year 1978-79 . 10.38

10.19 Comparisons of Selected NDSL Recipient Characteristics Between Two-Year Public and All Other School Types: Academic Year 1978-79 . . . . 10.45

11.1 Rank Order of Where Students Obtained Their Financial Aid Application Forms, by Level and Control of Institution: Academic Year 1978-79 . . . . 11.9

11.2 Rank Order of Lending Institutions as Leading Sources of Financial Aid Application Forms, by Income Level and Level and Control of Institutions: Academic Year 1978-79 . . . . 11.9

11.3 Application Forms Submitted by Students Regardless of Whether They Obtained Any Assistance, by Level and Control of Institution: Academic Year 1978-79 . . 11.11

11.4 Level of Assistance Received by Students in Completing Their Aid Applications, by Level and Control of Institution: Academic Year 1978-79 . . . . 11.11

11.5 Proportion of Students Not Applying for Financial Aid, by Dependency Status, Income and Level and Control of Institution: Academic Year 1978-79 . . . . 11.12

11.6 Reasons Why Students do not Apply for Financial Aid, by Dependency, Income, and Level and Control of Institution: Academic Year 1978-79 . . . . 11.13

11.7 Rank Order of the Last Month the Student Could Have Been Informed About His/Her Financial Aid Award, by Level and Control of Institution: Academic Year 1978-79 . . . . 11.16

11.8 The Relationship Between the Receipt of High School Counseling and the Receipt of Financial Aid, in Percentages: Academic Year 1978-79 . . . . 11.19

LIST OF TABLES (Continued)

Table	Title	Page
11.9	Percent of Students Reporting Having Received High School Financial Aid Counseling, by Total Family Income and Ethnicity: Academic Year 1978-79	11.20
11.10	Percent of TRIO Students Receiving Basic Grant and Campus Based Aid: Academic Year 1978-79	11.24
12.1	Percent of Specific Procedures Used to Disburse BEOG, SEOG, and NDSL Payments, by Level and Control of Institution: Academic Year 1978-79	12.3
12.2	Percent of Procedures Used to Prevent Multiple or Overawarding of Aid: Academic Year 1978-79	12.5
12.3	Percent of Institutions Using Specific Procedures for Notification of the Financial Aid Office of a Change in Student's Course Load or Enrollment Status: Academic Year 1978-79	12.7
12.4	Percent of Reasons for Failing to Recover All of the Amount of BEOG and SEOG Awards Owed to Institutions: Academic Year 1978-79	12.8
13.1	Number of Students Selected for BEOG Validation via Various Selection Methods: Academic Years 1975-78	13.2
13.2	Percent of Institutions Using Selected Procedures to Validate BEOG Application Data: Academic Years 1977-78 and 1978-79	13.3
13.3	Percent of Institutions Using Selected Practices to Correct Invalid Data Items on BEOG Applications: Academic Years 1977-78 and 1978-79	13.5
13.4	Percent of Institutions Using Selected Procedures to Validate Data Items on Campus Based Aid Applications: Academic Years 1977-78 and 1978-79	13.6
13.5	Percent of Institutions Using Selected Procedures to Correct Invalid Data Items on Campus Based Applications: Academic Years 1977-78 and 1978-79 . .	13.7
13.6	Estimated Effect on BEOG Awards as a Result of Validation, by Institutional Level and Control: Academic Year 1978-79	13.8

LIST OF TABLES (Continued)

Table	Title	Page
13.7	Estimated Effect on BEOG Awards as a Result of Validation by Parental Income Level: Academic Year 1978-79	13.9

SECTION I

INTRODUCTION

PREFACE

Chapters 1 and 2, which comprise Section I, provide an overview of the Study of Program Management Procedures in the Campus Based and Basic Grant Programs, and attempt to place this study in the context of current research on this subject. Included are discussions of the study's research approach and methodology, a brief outline of Federal responsibilities for financial aid, a historical summary of the development of the student aid concept, as well as a survey of previous literature regarding the institutional role in student assistance. All of Chapter 1 is repeated in Volume II of this report, while the latter portion of Chapter 2 is focused on institutionally related concerns. The List of Selected References, which is appended to Chapter 2, concentrates primarily on literature which pertains to the institutional role in the student financial aid process.

1

INTRODUCTION

CONTENTS OF THIS VOLUME

This report, the first of two volumes, is divided into five main sections. The first two sections provide general supporting information while sections III, IV, and V provide the empirical results of this study. Sections I and II begin by sketching the background and context of the subject of student aid with emphasis upon institutional practices, i.e., the history of its development, a review of the extent of existing literature, and a discussion of the distribution of Federal student aid funds. Section III begins with a profile of institutional financial aid office operations and concludes with a discussion of the interface between these offices and the Federal government. The final sections, explore various aspects of the role of the institution regarding student-need analysis, budgeting, aid packaging, loan management, student information, monitoring and validation.

STUDY BACKGROUND

This study is the third and final phase of the U.S. Office of Education's (USOE) assessment of the impact of Federal financial aid programs on postsecondary students, institutions, and state governments. Formally titled a "Study of the Impact of Student Financial Aid Programs," or "SISFAP," the components completed prior to this study include:

- the design of a research strategy to assess the impact of financial aid (SISFAP I);
- the study of the impact of Federal and state financial aid programs and policies on the choice process of postsecondary bound students (SISFAP II, Study A);

- the design of a research strategy to assess the impact of financial aid (SISFAP I);
- the study of the impact of Federal and state financial aid programs and policies on the choice process of postsecondary bound students (SISFAP II, Study A);
- the study of the way in which labor market conditions (and perceptions thereof) interact with educational costs and financial aid to influence access to postsecondary education (SISFAP II, Study B);
- the examination of the impact of financial aid on student persistence in postsecondary education (SISFAP II, Study C); and
- the relationship between Federal and state student aid programs (SISFAP II, Study D).

This remaining component (SISFAP III) was intended to evaluate the effectiveness and efficiency of procedures employed by the Federal government and by participating institutions of postsecondary education to operate and manage the Campus Based and Basic Educational Opportunity Grant (BEOG) assistance programs. The BEOG program, currently funded at $2.56 billion, is the mainstay of U.S. student aid. It is centrally administered by the U.S. Office of Education and provides the eligible postsecondary student with an entitlement to financial assistance which can be used at any of thousands of approved postsecondary institutions. The amount of the entitlement is based upon the student's need (as derived from a uniformly applied formula), while actual awards are calculated using the cost of education at the school the student has chosen to attend. The Campus Based programs, on the other hand, are administered locally by the staff of eligible institutions. They include the Supplemental Educational Opportunity Grant (SEOG); National Direct Student Loans (NDSL); and College Work-Study (CWS).

THE IMPETUS FOR THE STUDY

Evaluations of the Federal student aid programs, from program appropriations to the distribution of funds, have been mostly piecemeal in nature. While specific components of this complex system have been examined at several levels of sophistication and detail, there has been, prior to the SISFAP project, no unified, comprehensive analysis of the

Federal government's involvement in the provision of funds for postsecondary students. The need for such an in-depth, broad-scope study, however, did not long go unnoticed. In 1974, the National Task Force on Student Aid Problems (otherwise known as the Keppel Task Force) was formed to examine a complex system that had become "...increasingly... troublesome to the general public...."[2] Its charge was to examine the delivery system for student aid while ignoring the broader issues of an appropriate social policy for the financing of postsecondary education. While the Task Force addressed many of the issues included in this study, its recommendations were derived in a deliberative fashion from the expertise of the various panel members. As stated in its Final Report, its role was to "integrate and implement the results of many existing efforts into the broader form of a total delivery system and then to achieve the support and backing of the associations and individuals who can bring them into being."[3] In a significant sense, the problems identified by the Task Force and its recommendations formed the basis for the formal evaluative effort represented by the SISFAP studies.

RESEARCH OBJECTIVES

The Office of Education's interest in examining these programs and their procedures is threefold: to evaluate the *equity* of the distribution of Federal financial assistance funds among students with similar characteristics; to identify the aid *practices and procedures* that best meet the objectives of the Federal programs; and to provide the data needed to develop a *behavioral model* of the flow of U.S. student aid dollars. Specifically, the study was designed to examine:

- the relationships between program funding levels and program objectives;
- the factors influencing the decisions of institutions to participate in the programs;
- the impact of application and aid distribution procedures on both institutions and students;

---

[2] Francis Keppel, *National Task Force on Student Aid Problems: Final Report* (Washington, D.C.: U.S. Office of Education), p. 1.

[3] *Ibid.*, p. 5.

- the factors affecting the ability of postsecondary institutions to implement the programs in accordance with the needs of students and the regulations and guidelines issued by USOE;
- the factors affecting the participation of students in these programs, including counseling, consumer information, application processes, need determination, and aid packaging;
- the burdens and benefits of program oversight procedures (e.g., monitoring and validation) for both institutions and the Federal government; and
- the impact of these programs on postsecondary institutions, particularly with regard to cost, changes in educational quality, and changes in student body composition.

While this report, and the companion volume on institutional practices, address most of these areas, no attempt has been made here to duplicate the material covered in reports previously issued during this project. A listing of all such documents is provided in Appendix A.

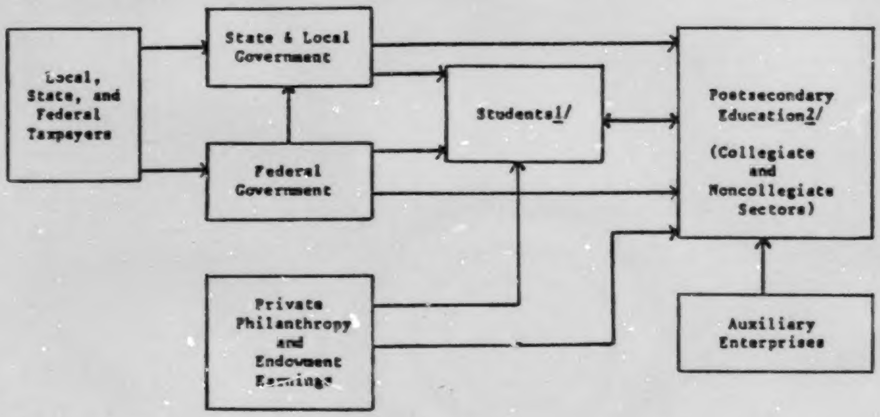
THE SCOPE OF FEDERAL SUPPORT TO POSTSECONDARY EDUCATION

The postsecondary education sector represents a significant portion of this nation's economy. According to the National Center for Education Statistics, as of autumn 1978, there were about 12.6 million students enrolled in more than 5,000 institutions of advanced learning. Of these, 11.4 million were enrolled in 3,046 traditional colleges, and the remainder in proprietary schools. While slightly less than half of the colleges (1,455) were publicly controlled, this component enrolled almost 80 percent of all college students.

With regard to the financing of postsecondary education (see Exhibit 1.1), the National Center estimates that for fiscal year 1977 the revenues to all of postsecondary education totalled $43.4 billions, 34 percent of which came from state and local support, 21 percent from tuition and fees, and 17 percent from the Federal government. This is further illustrated below in Exhibit 1.2.

This massive influx of public monies into the postsecondary education sector has grown at an incredible rate since 1965, particularly in the area of Federal support (see Table 1.1). During this 15-year period, the Federal funding of postsecondary education has increased from

EXHIBIT 1.1: SOURCES OF FUNDS FOR POSTSECONDARY EDUCATION


Local, State, and Federal Taxpayers
State & Local Government
Federal Government
Students1/
Private Philanthropy and Endowment Earnings
Postsecondary Education2/ (Collegiate and Noncollegiate Sectors)
Auxiliary Enterprises

1/Aid to Students

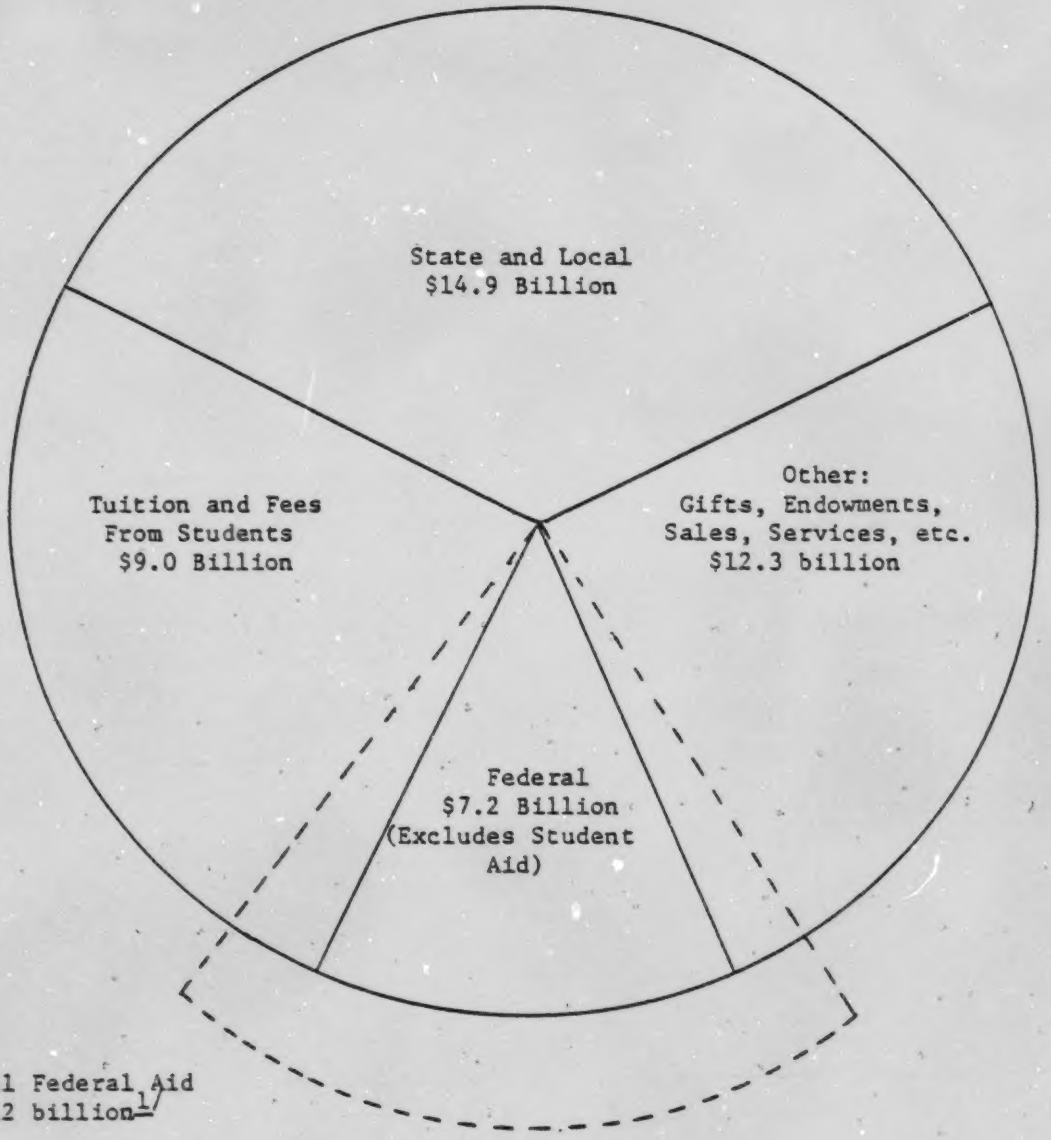
- A. Grants and scholarships
  - 1. Aid distributed directly to students based on
    - a. Need
    - b. Ability
    - c. Special purposes
    - d. Income
  - 2. Aid distributed through institutions based on
    - a. Need
    - b. Ability
    - c. Special purposes
    - d. Income
- B. Loans (subsidized portion)
  - 1. Direct loans
  - 2. Guaranteed loans
  - 3. Institutional loans
  - 4. Tuition deferrals
- C. Tax deductions for families or students

2/Aid to Institutions

- A. General institutional aid
  - 1. Tuition and fee payments
  - 2. Budget appropriations
  - 3. Lump sum grants
  - 4. Various types of capitation grants
  - 5. Grants based on other units of workload or output
  - 6. Employment subsidies
  - 7. Unrestricted gifts
  - 8. Unrestricted earnings
- B. Categorical aid (current)
  - 1. Program support
  - 2. Project grants and contracts
  - 3. Service contracts
  - 4. Restricted gifts
  - 5. Restricted earnings
- C. Construction aid
  - 1. Project grants
  - 2. Direct and indirect interest subsidies
  - 3. Gifts
  - 4. User charges
- D. Tax benefits
  - 1. Tax exemptions for institutions
  - 2. Tax credits for donors
  - 3. Tax deductions for donors
- E. Other institutional aid
  - 1. In-kind gifts
  - 2. Use of property, facilities, or equipment
  - 3. Cooperative services

Source: National Commission on the Financing of Postsecondary Education, A Framework for Analyzing Postsecondary Education Financing Policies, May 1974.

EXHIBIT 1.2: FINANCING POSTSECONDARY EDUCATION: WHERE DOES THE MONEY COME FROM?



TOTAL = $43.4 Billion

Public = $29.3 Billion
Private = $14.2 Billion

Source: National Center for Education Statistics, Financial Statistics of Institutions of Higher Education, 1976-77. Table 123.

[1/] Includes: Student Aid, Institutional Support, Program Funding and Research, excluding Social Security--Data from the Office of Management and Budget, Special Analysis, 1978.

TABLE 1.1: PERCENTAGE INCREASE IN FEDERAL SUPPORT TO POSTSECONDARY EDUCATION 1965-1979

	Total Percent Change 1965-1979	Average Annual Percent Increase 1/
Research Support	234	9
Institutional Support	222	9
Aid to Students	3,830	30

Source: OMB, 1971-1979, Special Analyses, Budget of the United States.

1/ A compounded rate of increase, i.e. $V_2 = V_1(1 + r)^n$.

approximately $2 billion to a staggering $13 billion--a total increase of 550 percent, or an average annual increase of about 13 percent. The most dramatic rise, as shown below, has occurred in the area of direct student assistance.

In 1965, it is estimated that the Federal government provided about $200 million in student assistance; however, by 1979 total Federal outlays for students (inclusive of all programs, e.g., Office of Education, Social Security, Department of Defense, etc.) approached $8 billion. Even more telling is the fact that, in 1964, Federal assistance helped meet about two percent of total postsecondary student costs; by 1979, it is estimated that the Federal contribution had grown to about 15 percent of the total. Clearly, the Federal government is rapidly approaching the status of a major partner in the provision of higher education to America's youth.

CURRENT TOPICS OF THE DEBATE ON STUDENT FINANCIAL ASSISTANCE

The first years of the 1980s will be especially crucial in charting the future course of Federal involvement, the role of the institution, and the perception of the student's place in the aid process. Therefore, the decision to authorize a study of this magnitude, scope, and cost on the topic of student financial aid was made with full awareness that its final product would, among other things, provide a valuable reference for those engaged in considering the current issues of debate on student financial assistance. These are briefly discussed below.

Congressional Reauthorization

The most active forum for the airing of views on the realm of Federal involvement in student aid is the current drafting of the Reauthorization of the Higher Education Act of 1965 by Congress. At the time of this writing, the House of Representatives has passed its own version of a reauthorization bill, while the appropriate Senate Committees are preparing to begin a mark-up of its own reauthorization proposal.

The scope of the debate on reauthorization has been virtually limitless. In addition to determining the levels at which the Basic Grant and Campus Based programs are to be funded for the coming years, Congress will be examining other aspects of the financial aid process. Below, are some examples of the issues which have been set before the Senate and House as they consider Title IV legislation:

- refinement of the BEOG and Campus Based need analysis formulas (e.g., asset protection allowances, definition of independent student status);
- financial aid funding for less than half-time students;
- expansion of aid programs directed to assist graduate students;
- restructuring of the Federally sponsored student loan programs (e.g., establishment of a national loan bank, consolidation of the NDSL and Guaranteed Student Loan (GSL) programs);
- elimination of the payment of subminimum wage to some College Work-Study recipients; and
- revision of the formula by which USOE allocates Campus Based funds to participating institutions.

Student-Consumer Issues

The student-institution relationship has acquired new significance in the last decade as society attempts to implement, through massive federal funding programs, the American dream of open access and free choice in postsecondary education for all citizens. In such a context, institutions of higher education, logically and ethically, should deal in a fair and businesslike manner both with students who enroll and with those who seek information about the educational service offered.[4]

The above is a rather concise codification of the issues which form the basis for the student-consumer movement in the area of student financial aid. Although students are the most commonly identified "consumers" of student financial aid, the term is also broad enough to include family members (e.g., parents, spouse) who are contributing to the support of postsecondary students. Student consumerism also covers issues which are not necessarily relevant to this discussion of financial aid, including employment prospects of graduates, for example. Elaine H. El-Khawas, in an article entitled "Effective Response to Consumerism," outlines the basic areas of student-consumer concern which can be applied to a number of aspects of postsecondary education. These are:

1) protection from abuse, fraud, or misrepresentation;
2) better understanding of available options and institutions;
3) commitment to develop standards of "fair practice" in procedural aspects of the student-institutional relationship; and
4) "assurances about adequate program quality."[5]

Ms. El-Khawas views the rise of student consumerism as a very positive step towards an overall improvement of postsecondary education. She points out that in order to respond to the needs of consumers, an effective tripartite relationship will have to be established, with government, institutions, and students working in a cooperative manner. All parties, Ms. El-Khawas contends, must be prepared to reevaluate their present positions and practices:

> In its call for increased responsiveness to the needs of students in the procedural aspects of their relationships with postsecondary institutions, consumerism represents a general

---

[4] Joan Stark, ed., The Many Faces of Student Consumerism (Lexington, Mass.: Lexington Books, 1977), p. 11.

[5] Elaine H. El-Khawas, "Effective Responses to Consumerism," in Stark, ibid., p. 125.

challenge to review existing practices and, as necessary, to develop new procedures to meet changing student needs.[6]

The development of the Consumer Information Requirements represents the initial Federal response to this organized call for greater consumer awareness. In the years to come, those advocating student-consumer concerns hope to expand the consumer guidelines to cover a broad range of student financial aid practices, including the awarding of aid, determining need, and assigning College Work-Study jobs.

Uniformity of Practice

The initiation of a system of Campus Based student aid programs was prompted by a belief among members of Congress and USOE that there are a variety of local factors which could, and should, influence the awarding of student financial assistance funds. However, one has only to examine the complexities involved in administering the Basic Grant Program to get a feel for the impossibility of centrally administering the awarding of upwards of $5 billion in student aid funds.

By building in so much discretion on the institutional level, USOE has created a system which contains some degree of uncertainty. In response to the existing structure of these programs, institutions will necessarily develop practices which are unique to their own circumstances. The concern of USOE is not so much the uniqueness of the practices, but rather that the outcomes they produce (the awarding of aid to students) will not be consistent with the broader program goals. From the Federal viewpoint, schools must use their Campus Based aid allotments to increase the potential for access and retention among students with the greatest relative need. At this moment, USOE is considering whether its traditional reliance on the provision of guidance to financial aid offices on proper practices is enough to ensure the achievement of these desired outcomes. The alternative is to promulgate regulations creating a more uniform model of practice for all facets of the aid awarding process (see Volume I, Section 3, for greater detail), thus leaving the campuses with an administrative rather than a policy-oriented role in the aid delivery system. Many of the subsequent chapters in this report will address the existence of variant practices among institutions. Whether the existence of such variance is a healthy sign that the system is responsive to local considerations or symptomatic of a violation of the programs' legislative intent is the fulcrum of current debate on this matter.

---

[6] El-Khawas, ibid., p. 124.

Prevention of Institutional Fraud

As a corollary to the above discussion, consider that USOE must undertake an ongoing effort to ensure that the funds which it allocates are expended in accordance with the law. By opting for a more decentralized method of aiding students, USOE has, in fact, increased the potential for the abuse of public monies. In a recent effort to impose external controls on the uses which schools make of Federal aid funds, USOE has developed a sophisticated set of application and reporting requirements which provide it with descriptions of who received Federal student aid and in what amounts. Additionally, "program review audits," which are conducted at the institution by USOE personnel, are designed to provide the Federal government with more detailed records of the specific practices of selected aid offices. All of these methods of tracking institutional compliance are considered in detail in Volume I, Chapter 11, of this report. Suffice it to say at this point that USOE must attempt to walk a very narrow line in this matter between properly protecting public monies and not burdening institutions with an inordinate amount of paperwork.

RESEARCH APPROACH AND METHODOLOGY

Due to the complex nature and large scope of this research project, it was divided into three stages. Stage I included the description and evaluation of those operational and managerial procedures which could be analyzed using existing data sources or interviews with USOE staff, and the development of a detailed research design for a national survey of postsecondary institutions and students. In Stage II, this design was implemented using a nationally representative sample of 172 postsecondary institutions and over 20,000 randomly selected students. Stage III of the project, which was separately funded and recently completed, was to assess the impact of the Middle Income Student Assistance Act (MISAA) on the distribution of student financial aid. The assessment was based on a quasi-experimental research design, carried out through a longitudinal follow-up of the same schools visited during the Stage II survey.

While a detailed discussion of the research design can be found elsewhere,[7] the sampling strategy for this study can be easily summarized. First, a listing of schools, eligible to participate in either the Basic Grant or any of the Campus Based programs, was compiled using available USOE data files. Next, the institutions were stratified, or grouped, into one of 32 separate categories defined by the following variables;

- control: public, private, and proprietary;
- level: University/4-year, and 2-year or less;
- participation (for proprietary schools only): BEOG only, and Campus Based schools;
- type of Program (for proprietary shools only): cosmetology, business, trade/technical, and other;
- state effort in financial aid, defined in terms of the number of need-based programs offered: five or more programs, two to four programs, and one or fewer programs;
- selectivity, defined in terms of the school's average SAT/ACT score for all entering freshmen: schools with averages above the median, and those below; and
- size: 1,000 students or less, and over 1,000 students.

The nonprofit (public and private) 4-year schools were then ordered within each group on the basis of their average tuition and fees so as to ensure adequate representation of this important variable. Finally, two types of schools were deleted from this population listing prior to the selection of the sample: those which were hospital-based (958 schools); and those which had been included in a study being conducted by DHEW's Bureau of Student Financial Assistance (about 150 schools). The former were excluded since they were atypical of the universe of schools in terms of their structure and the types of aid offered, and were not of particular policy interest. The latter were dropped to avoid the potential for overburdening certain respondents.

---

[7] Applied Management Sciences, Technical Report No. 1: Sample Design, Student Survey Yield and Bias, November 1979.

Once these strata had been formed, the sample of 150 institutions originally desired was allocated to each group in proportion to the number in the population falling in each stratum, except that the initial division between profit-making and nonprofit schools was adjusted in the direction of the nonprofit institutions. This was necessary because although the profit-making schools account for about 40 percent of the schools, they account for only a small proportion of the students. At this point, the Office of Management and Budget (OMB) requested that the sample of 4-year public institutions be increased by 25 schools. These extra schools were also allocated proportionally to each of the public institution strata, thereby increasing the total sample to 175 postsecondary institutions. The actual selection of the sample of schools to participate in the survey was conducted randomly within each of the 32 groups, using the sampling proportion described above.

Within each of the selected schools, a random sample of students was selected by the individual local site Coordinators using detailed procedures developed by Applied Management Sciences. Basically, the schools were requested to: 1) compute a sampling ratio by dividing the total enrollment by the required sample size; 2) obtain a listing of all undergraduate students registered at least half time (i.e., eligible for Federal student aid); 3) stratify them by class level if at least a 2-year school; and 4) use the sampling ratio to systematically select a random sample of students. In most cases, these procedures required only minimal adjustments to fit individual situations. A small number of schools (approximately eight institutions) were unable to stratify their students by class prior to selection. This was due mainly to the combination of a lack of data processing capability and an enrollment size too large to be handled manually. In these cases, the selection was made by the schools randomly without prior stratification.

The practical work of responding to the objectives of this project can be summarized as including:

- the review of literature and of expert views on issues of aid administration;
- the codification and analysis of basic data on the past operations of the Federal programs--particularly the authorization and utilization of Federal funds;
- a computer-based simulation analysis of the Basic Grant program;
- the detailed, on-site investigation of financial aid practices in each of the 172 colleges and other postsecondary schools; this work, carried out in early 1979, included--
    - obtaining extensive statistical and other data on local aid offices, their work, and their problems;
    - interviews with a number of campus officials directly concerned with student aid, including school presidents and deans, business officers, and extended talks with aid personnel;
    - surveys of a random sample of all undergraduate students enrolled at each school in the study, to obtain matched data on aid recipients and nonrecipients; and
    - extracts from the school records of the sampled undergraduate aid recipients, to obtain detailed data on individual needs, counseling, and aid awards;
- a less detailed mailed survey of an additional 1,100 schools, to obtain key data for more complex and precise analyses of institutional administrative procedures.

Collection of data and preparation for analysis are still underway for the last component listed above (the mailed institutional survey), and will be treated in a separate report to be prepared by the summer of 1980. The Stage III assessment of MISAA impact has been partially completed, and the results were reported to USOE during early April 1980.

This project has taken place, as previously noted, during a major Congressional debate over future policies and funding for these programs. Part of the function of this study, then, has also been to serve as a source of information for those deliberating about issues concerning student aid. The data generated for this project have a longer-range value as well. Student financial aid is an emergent profession, the newcomer among administrative roles in higher education. The scope of activities, the professional practices, and other major elements of the field are not well codified. State, regional, and national associations of financial aid officers, and others interested in this aspect of postsecondary education are beginning to deal with this need to develop the profession. Scattered articles and monographs reflect a general suspicion that practices are widely variable, that some aid operations are inadequately supported, and that, in general, students do not get similar treatment when they approach different institutions. This project provides the first unified data base for the examination of these and related issues. It makes available a coordinated set of information on schools, aid offices, and students. It is the first attempt to assess, on a national scale, the performance of this critical part of the higher education system.

2

BACKGROUND

> The real dilemma of American higher education is that we want so many to go to college but must charge them so much to do so. The history of the development and change in student financial aid in institutions of American higher education is the history of 300 years of struggling with this problem.
>
> Rexford G. Moon, Jr.[1]

INTRODUCTION

In the five years since this was written, little has changed. Congress, facing the difficult task of reauthorizing the Higher Education Act, is being bombarded with proposals on ways to modify the manner in which students are now being supported--centralize the distribution of Campus Based aid; change the treatment of independent students; create separate student and parent educational loan programs; distribute aid on the basis of income tax returns--and the list goes on. The struggle, it appears, has not yet been won.

While some of the propositions now before Congress are directed toward relatively simple procedural changes, others challenge the broad goals of Federal postsecondary education policy--the provision of equal opportunity. The decisions to be made are complex, and their impacts are both large and pervasive. At stake are over $5 billion in public monies per year and the futures of many postsecondary students and institutions.

---

[1] Rexford G. Moon, Jr., "History of Institutional Financial Aid in the United States," Perspectives on Financial Aid (New York, N.Y.: College Entrance Examination Board, 1975), p. 1.

A BRIEF HISTORICAL PERSPECTIVE

The Origins of Federal Support: An Emphasis on Institutional Support

Support and control of higher education has, from the earliest days of this nation, been established as the primary responsibility of the states. This basic assumption of the separation of authority has, until recent times, defined the Federal role as being mainly that of supplementing the efforts of the states. At the Constitutional Convention of 1787, several proposals were advanced to empower the Federal government to establish institutions of higher education; all, however, were rejected.[2]

This commitment to the separation of authority, however, should not belie the long-established American tradition of respect for education. "Given the dominant American ethos of 'democratic capitalism' and 'rugged individualism,' higher education has had a value insofar as it has helped each Horatio Alger get ahead in the economic and social system."[3] America has not had a class society in the European sense, and deeply rooted in the operating norms of the national policy is the belief that upward mobility can be achieved through hard work and advanced education. The attainment of universal higher education as a utilitarian goal, however, has developed over a long period of time.

Its roots can be traced to the middle of the 19th century and the presidency of Andrew Johnson. Embracing libertarian Jeffersonian philosophy, "Americans under Johnsonianism chose to put their house in order..."[4] as part of the period of post-Civil War reconstruction. The most notable step was the creation of a "Department of Education" on March 2, 1867, ending a long debate over the need to establish a place for education in the Nation's Capitol.[5] Despite the symbolic importance of recognition to education, it was the original Morrill Land Grant Act of 1862 (and the subsequent Morrill Act of 1890), however, that provided what would eventually become the ultimate bases for mass participation in higher education by legitimizing the role of the Federal government to ensure educational opportunity to classes of citizens previously excluded from such benefits.

---

[2] George N. Rainsford, Congress and Higher Education in the Nineteeth Century (Knoxville, Tennessee: 1972, University of Tennesse Press, 1975), p. 17.

[3] L.E. Gladieux, and Thomas R. Wolanin, Congress and the Colleges (Lexington, Massachusetts: Lexington Books, 1975), p. 4.

[4] Frederick Rudolph, The American College and University (New York, N.Y.: Vintage Books, 1965), p. 203.

The original 1862 Morrill legislation granted each state 30,000 acres of land for each Senator and Representative it had in Congress. The land was to be used to establish one or more instituitions of higher education for the purposes of teaching subjects related to agriculture and the mechanical arts (see 12 Stat. 503, July 2, 1862). While of great symbolic importance, it was the second Morrill Act of 1890 that began the actual flow of Federal dollars for the direct support of institutions of higher education. Under this later Act, Congress established an annual, graduated program of financial assistance. In both cases, however, the focus of Federal support was the institution and not the individual student. The latter would not arise until the mid-20th century.

The Beginnings of Federal Assistance to Student: The Early Focus on Self-Help

Direct Federal payments to students, unlike Federal grants to institutions of higher education, are of rather recent origin in the United States (see Exhibit 2.1). The first private endowment gift in American higher education was given to Harvard College in the 17th century for the establishment of scholarships and, until very recently, most Federal student aid was similarly restricted to institutional funds. In fact, support other than "college money" played little role in this nation's student aid resources until the early part of the 20th century. Faced with the devastating effects of World War I and economic

---

[5] Richard Lykes, Higher Education and the U.S. Office of Education (1867 - 1953) (Washington, D.C.: 1975), U.S. Office of Education, p. 3.

EXHIBIT 2.1: SIGNIFICANT DATES IN THE FEDERAL SUPPORT OF HIGHER EDUCATION

I. The Era of Institutional Support

1785	Northwest Ordinance
1787	Contract with the Ohio Company reserving two townships of land for the support of a university
1802	Establishment of U.S. Military Academy at West Point
1845	Establishment of U.S. Naval Academy at Annapolis
1862	Passage of the Morrill Act
1867	Creation of the first Department of Education
1874	Award of nautical training grants-first evidence of the principle of Federal "matching grants"
1879	First Federal grants to Howard University
1887	Hatch Act establishing a system of agricultural experiment stations
1890	Passage of the Second Morrill Act
1914	Passage of the Smith-Lever Act for agriculture and home economics extension
1919	First Surplus Property Disposal made to educational institutions
1920	First establishment of ROTC units on college campuses

II. The Early Programs of Direct Student "Self-Help" Support

1935	Creation of the National Youth Administration
1937	Public Health Service Fellowships inaugurated

III. Continued Student Support - The Advent of Nonreturnable Support

1944	Passage of the Serviceman's Readjustment Act
1946	Establishment of the "Fulbright Program"
1952	First National Science Foundation Fellowship awarded
1958	Passage of the National Defense Education Act
1961	Passage of Fulbright-Hayes Act

IV. The Current Programs - The Goal of Educational Opportunity

1964	The Economic Opportunity Act
1965	The Higher Education Act
1972	The Education Amendments of 1972
1976	The Education Amendments of 1976
1978	The Middle Income Student Assistance Act (MISAA)
1979	Creation of the Education Department
1980	Reauthorization of Higher Education Act

depression, direct student support grew out of a commitment to mitigate the impact of these events on America's youth.

The advent of the Depression in the 1930s, with a quarter of the labor force out of work, found vast numbers of students leaving schools and colleges because their parents could no longer support them. As a means of stemming this tide of the unemployed, the Federal Emergency Relief Administration began a program very much like today's College Work-Study program, to provide part-time jobs on campus to assist these young people to continue their education. Begun in 1933, this emergency effort continued until 1943, under the direction of the National Youth Administration. Overall, it has been estimated that over 600,000 students participated in the program between 1935 and 1943.

All nonprofit institutions were eligible to participate, and each institution was given a student employment quota based on a percentage of regular enrollment. Payments were made directly to students but institutions were responsible for providing jobs and for selecting eligible participants on the basis of financial need. This emphasis on need as an eligibility criterion, while admittedly a response to a broader social problem, established the precedent for the student assistance programs that were to come a quarter of a century later.

The second program of direct Federal payments to students, the student war loans, started during World War II, and was designed to encourage students pursuing degrees in medicine, science, or engineering to complete their education before going to work. Between 1943 and 1944, approximately $3 million was loaned to about 11,000 students. While modest in nature, this program continued the early emphasis on self-help support but shifted the focus from current earnings (jobs) to future earnings (loans).

The next step in the history of Federal support was the Serviceman's Readjustment Act of 1944 commonly known as the "G.I. Bill of Rights." Building on the precedent established in the Morrill Act, the G.I. Bill authorized the most extensive program of aid to students by providing educational benefits for tens of thousands of veterans. The G.I. Bill included tuition and living allowances paid by the Veterans Administration, and as Kaufman suggests:

> This legislation was based upon the assumption that educational opportunity was the right of the citizen and that this country had need for a highly educated population. Another assumption was that education would lead to behaviors that could only increase the wellbeing of the individual and the general growth and development of the nation.[6]

The impetus for this program was a concern about what the nation should do to assist the returning veterans to reenter the postwar economy. Having interrupted or delayed their education, the veterans were seen as being entitled to some form of compensation. The G.I. Bill not only provided such compensation but also reduced the negative economic impact of a sudden addition of millions of workers to an already stressed labor market.

The G.I. Bill of Rights is notable for two reasons: it represents the first truly large-scale Federal commitment to the direct support of postsecondary students; and it was the first program to provide such support in the form of nonreturnable aid. The emphasis of the G.I. Bill, however, was not on financial need but rather on aiding those who had earned the right to receive public support. The objective of ensuring broad educational opportunity had not yet reached the level of Federal policy.

The National Defense Education Act

By the late 1950s, Federal commitments to higher education were still modest. In addition to the GI Bill, the most extensive programs were in the area of research support under the newly established National Science Foundation. However, the launching of the first man-made satellite by the Soviet Union in 1958, ushered in the era of increasing Federal involvement in higher education. The policy of state primacy was, at least for the moment, put aside in the race to compete with the Soviet Union. "Since Sputnik was a product of Soviet scientific manpower and research. the United States would meet the challenge by doing better in these areas."[7] The hope of improved scientific education led in 1958 to the passage of the National Defense Education Act (NDEA) which made available low-interest, long-term loans to needy students whose academic abilities and choice of curriculum qualified them for such assistance. While the Act did not include the provision of nonreturnable aid (this was a point of deep controversy during the legislative debates), its passage was a landmark in Federal higher education policy. Although it was initially proposed as a temporary measure, it has become, as the National Direct Student Loan (NDSL) program, a permanent part of what is today a far broader effort to assist students,

---

[6] Martin L. Kaufman, "Federal Aid to Education: 1867-1971", Journal of Education, 1972 (154:3), p. 29.

The Higher Education Acts of 1965 and 1972: The Commitment to Educational Opportunity

As the NDEA grew out of the need to counter a perceived threat to national security, the programs of the 1960s also evolved from feelings of national need. Unlike the earlier case, however, the need here was clearly internal. Following the landslide victory of Lyndon Johnson in 1964, the Administration launched the "Great Society's War on Poverty" with the passage of both the Economic Opportunity Act and the Civil Rights Act. The former supplied job opportunities to low-income students through the College Work-Study Program. The following year, 1965, was dominated by historic legislation: Medicare; the Voting Rights Act; the Elementary and Secondary Act (ESEA); and, in the wake of ESEA, the Higher Education Act of 1965 (HEA-65).

Although the importance of HEA-65 was initially obscured by the education community's focus on ESEA, its passage clearly established a new social commitment to the advancement of equal educational opportunity through increased support for higher education. The "...benefits of postsecondary education..." are to be made avaliable to all "...qualified students who, for the lack of financial means, would be unable to obtain such benefits without..."[8] the availability of external assistance. As an outgrowth of the war on poverty and discrimination, public attention was finally focused, the financial obstacles to higher education, and public monies were targeted to people who required help in overcoming this barrier.

---

[7] Gladieux and Wolanin (1976), p. 9.

The nation's commitment to equal opportunity was not an invention of the ferment of the 1960s, but was, rather, the natural result of a philosophical perspective that has run through years of American higher education. The land-grant college movement, the GI Bill, and the postwar enrollment boom all worked to achieve greater access to the benefits of continued education. "But in the 1960s, the concept and the ideal of equal educational opportunity took on new dimensions, a new urgency, and a central place in public policymaking for higher education. At the opening of the 1970s it was perceived as a major part of the nation's unfinished business."[9]

What is most striking about the Higher Education Act is its establishment of a "moral imperative" to correct earlier wrongs. The climate of the time was dominated by a new consciousness--the nation became committed to resolving many of its long-standing social ills, particularly the breaking of the "poverty cycle." Such introspection affected every sector of the society, including the higher education community. Campuses everywhere were forced to examine their records for failures to extend the educational opportunities to ethnic minorities and the economically disadvantaged.

The result was a significant departure from the traditional determinants of access to scholastic benefits. No longer was eligibility to be based solely on merit. With the exception of a vague provision that "evidence of academic or creative promise" be demonstrated, eligibility was to be based, above all, on economic need. Whereas education had previously been called upon to meet the national needs for trained manpower and to expand research, it was now being asked to be the "great equalizer" of America's citizens.

---

[8] Higher Education Act of 1965, Part A, Subpart 2, Section 413A(a).

[9] Gladieux and Wolanin, p. 15.

While quantitative evidence has not been strong in the ability of education to ameliorate the effects of poverty, Jencks has indicated that:

> ...educational attainment is by far the most powerful measurable determinant of occupational status.... While we should be wary of assuming that access to higher education has a decisive causal effect on a man's chances of upward or downward mobility, it seems fairly likely that it does have some effect.[10]

Similarly, Schultz contends that the provision of expanded educational opportunities has "...been a major factor during recent decades in changing the distribution of personal income."[11] James Coleman, examining the broad issues of educational opportunity, has pointed out that the responsibility for such opportunity has evolved in this country from the passive role of providing free public education resources to be used by the family to an active responsibility for creating equality of educational achievement.[12] Jencks, in a related context analyzing the effects of higher education on social mobility, concludes that:

> There are, after all, only two ways to make men equal: we can reduce the privilege of the elite or we can increase the privilege of the nonelite.... The only practical way to move towards equality, then, is to help those at the lower levels of society.[13]

---

[10] Christopher Jencks, "Social Stratification and Higher Education," Harvard Educational Review, 1968, Vol. 78, pp. 227-316.

[11] Theodore W. Schultz, "Resources for Higher Education: An Economist's View," Journal of Political Economy, May/June 1969, Vol. 76, p. 3.

[12] James Coleman, "The Concept of Equality of Educational Opportunity," Harvard Educational Review, 1968, Vol. 38, pp. 7-22.

[13] Jencks, *ibid.*, p. 316.

Clearly, this has been the intent of the Federal student assistance programs which have evolved since the passage of the Higher Education Act of 1965 (HEA-65).

This landmark law (HEA-65) included five major components:

- the establishment of the first program of Federal scholarships for college undergraduates, the "Educational Opportunity Grants" program, which provided grants to students "of exceptional financial need;"
- the transfer of the recently created College Work-Study (CWS) program to the U.S. Office of Education (USOE) where the government provided 80 percent of the cost of part-time jobs for students (preference was given to students from low-income families);
- renewal of the National Defense Student Loan Program;[14]
- the establishment of the Guaranteed Student Loan (GSL) program to increase the availability of private capital for student loans (for the students whose families had adjusted incomes of less than $15,000, an interest subsidy was also provided while the student was in school); and
- categorical funding for buildings and equipment such as assistance for college libraries and aid to developing institutions.

The first three programs were "need based" as distinguished from veterans' benefits, or from institutional scholarships given for talent or academic achievement alone. The GSL program was included in order to provide support primarily to middle-income families and as a means to diffuse the growing support for the use of income tax credits to aid postsecondary students. The GSL component also established the first consumer protection legislation for Federal support to higher education which was to be later formalized in the Education Amendments of 1976.

With the exception of GSL, the student aid programs established under HEA-65 used a "Campus Based" administrative structure. College and university administrators were given broad authority to ascertain which students needed aid and to decide how much Federal aid each student should receive. While this approach relieved USOE of most of the staffing and management burdens involved in carrying out the new commitment to equal opportunity in higher education, it soon gave rise to serious problems. As Gladieux and Wolanin write:

---

[14] In 1972 the Educational Opportunity Grants program was modified and renamed the Supplemental Educational Opportunity Grants program (SEOG). National Defense Student Loans were renamed National Direct Student Loans (NDSL).

> The conviction grew among the HEW planners that the delivery system for federal student aid was haphazard and inconsistent. The system seemed to fail...to provide students with adequate knowledge of the amount of aid they could count on; too many contingencies were involved. Above all, the system seemed to violate an important principle: that students with the same financial need should be treated equally.[15]

Also during this period, many institutions saw costs rising faster than their revenues, leading to what Cheit referred to as a "new depression in higher education."[16] The drive for equality of opportunity placed new burdens upon higher education institutions to adapt themselves to a new and different group of students. Compounding the problem were the growing financial crises facing many colleges, campus unrest, and a new wave of student consumerism. If any single word can sum up the period of the early 1960s to the early 1970s it would be "reform."

In need of increased revenues, institutions turned to the Federal government for ways to ease the burden. While a large part of the academic community, and many in Congress, favored keeping tuitions low and persuading the Federal government to give institutions more money, a different approach prevailed.[17] Reports of the Carnegie Commission and the Committee for Economic Development recommended that tuitions at public institutions be gradually raised, provided adequate aid for low- and middle-income students was made available. In principle, this would capture some of the tuition subsidies received by high-income students and redistribute those funds to support low-income students, and to increase institutions' revenues. After much debate, Congress passed the Education Amendments of 1972 (EA-72) which resulted in direct student aid rather than increased institutional assistance. By so doing, the Federal government abandoned its previous emphasis on "categorical" programs and sought to advance the concept of equal educational opportunity. The Federal government became a separate actor in the delivery of postsecondary education and established, at least for the time being, direct financial aid to students as the primary method of support to higher education.

---

[15] Lawrence E. Gladieux, and Thomas R. Wolanin, Congress and the Colleges (Lexington, Massachusetts: Lexington Books, 1976), p. 62.

[16] Earl Cheit, The New Depression in Higher Education (New York, N.Y.: McGraw Hill, 1971).

The debate over Federal student aid policy during the passage of EA-72 was, and continues to be, centered on proposals for direct aid to students (and/or their families) and aid to institutions. The differences are significant since they touch upon serious issues of Federalism--how the burden of paying for higher education should be shared and how control should be distributed.

On the side of "who pays," the concern has been related to the effects of what is often called "the cost spiral." It has been contended that by making the student the dominant beneficiary of aid, the Federal government would be creating an upward pressure on college tuitions that would require continually increasing amounts of Federal aid to help students cope with the inflationary spiral. On the other hand, direct aid to institutions often cited as the way to relieve the pressure of increasing costs; would have the Federal government, in effect, underwriting the nation's higher education institutions.

---

[17] Howard R. Bowen, Financing Higher Education: The Current State of the Debate, American Association of Colleges, 1974.

The selected strategies also substantially affect the extant power relationships. If more funds are channeled to students, their choices and preferences would influence educational decision-making. Alternatively, a strategy of direct institutional support would put the college administration in the proverbial "driver's seat." Greater support for state programs would similarly shift the control to the state legislatures. Related to the argument of control are the issues of diversity and quality in higher education. An argument for direct student aid has the greater likelihood of making institutions more responsive to market pressures. Supporters of institutional support counter that the only way to insure diversity and quality is to guarantee the survival of the greatest number of institutions (public as well as private).

While renewing the other Campus Based programs, EA-72 founded the State Student Incentive Grant program (SSIG) to expand the role of states in providing educational opportunity, and also created a new program of Basic Educational Opportunity Grants (BEOG). The BEOG program differs from the Campus Based programs of student aid in that USOE, with Congressional approval, determines the criteria and calculations to be used in assessing applicants' ability to pay for education. A single formula is applied uniformly throughout the nation and, unlike Campus Based aid, BEOGs are "portable." Once a student has established his/her eligibility for a BEOG, he/she can claim the grant for use at any eligible postsecondary institution in the country. In so doing, however, the Federal government created a dual system of student aid administration--one for BEOG and a second for the Campus Based programs.

The result of these actions has been the creation of a system that is "...frustrating, unreasonable, intimidating and mysterious. Many public officials and administrators perceive it as unjustifiably complex, inconsistent, inequitable. These conditions persist in spite of the efforts of elected officials, administrators in government and education, and student groups."[18] Since 1972, both government and institutional officials have made frequent attempts to reduce this confusion, complexity, and inconsistency in student aid. Most notably, in 1974 the National Task Force on Student Aid Problems (the "Keppel Task Force") made an effort to deal with the apparent variation in governmental and institutional practices. Francis Keppel chaired the group of representatives from the College Entrance Examination Board, American College Testing Program, private foundations, educational institutions, state student aid programs, and USOE. Participants limited their attention to matters of administration and coordination and did not attempt to deal with problems of social policy and program design. They sought to identify steps that could be taken *voluntarily* by individuals and organizations directly involved, *rather than by the imposition of Federal control*. The final report of the Keppel Task Force included recommendations regarding standardization of need analysis, application forms, timing and coordination of decisions, packaging, personnel and training, and student appeals procedures.[19]

In spite of these recurrent efforts to simplify and systematize student aid, the diversity in practices still exists. As concluded by Applied Management Sciences in our *Site Visit Report*:

> The schools are not always likely to fit a predetermined model of a well-run financial aid operation, either in the level of effort and resources they commit to this function or in the basic knowledge they may have of principles of financial aid operations.... We can report major variations from school to school in size, salary levels, and degrees of experience of financial aid personnel; in the level of sophistication of aid packaging philosophies; in the rigor and objectivity of needs analysis systems. The range of variation in level of practice would appear to be astonishingly large. Some institutions have highly refined, rationalized, explicit,

---

[18] Harlan Cooper, *Diversity in College and University Administration of Federal Student Financial Aid*, Doctoral Dissertation, Stanford University, 1979, p. 13.

[19] Francis Keppel, *National Task Force on Student Aid Problems. Final Report* (Washington, D.C.: U.S. Office of Education), 1975.

> well-supported systems for distributing aid to students efficiently and fairly. Others appear to have no organized system of distribution whatever....[20]

If a single word could be used to categorize our preliminary findings, it would be diversity. Preconceived assumptions of a systematic pattern of aid distribution do not appear to match reality, at least on the basis of our early analysis of the data. This is not to say that diversity is, in and of itself, a necessarily negative finding. On the contrary, one would expect differences to exist among schools, particularly since the Campus Based programs were designed to best meet the needs of individual aid applicants. However, the differences observed from one school to the next were not confined to matters of professional approach (such as packaging philosophies for assembling aid for particular kinds of students) or of discretionary practice (such as the choice to emphasize or de-emphasize various Campus Based programs). Such factors were expected to vary (and in fact they did). What was not expected was the extent of these variations; the equally striking variance in the aid officers' budgetary and administrative support, working conditions, and kinds of student aid resources that were available; and, most importantly, the absence, in some cases, of any systematic procedures for dealing with all these matters.

The Federal aid programs and their institutional administrative structure are vulnerable to critics who seek to replace: a perceived situation of unbridled discretion with increased government regulation; institutional administration for government administration; BEOG for Campus Based programs; or direct government transfers for income tax "expenditures." Each new proposal for change has seemingly attempted to move toward increased centralization in terms of both policy-setting and program administration. In fact, adoption of a tax credit approach, like that recently considered by the Congress, would have shifted the administration of student aid from USOE and postsecondary institutions to the Internal Revenue Service.

---

[20] Applied Management Sciences, Inc., Study of Program Management Procedures in the Campus-Based and Basic Grant Programs: Site Visit Report, June 1979.

The Post-1972 Period

In the period since the passage of the Education Amendments of 1972, the financial aid community has worked towards the refinement of the existing system. The Campus Based and Basic Grant programs were reaffirmed by the Congress through the passage of the Education Amendments of 1976. Rather than electing to restructure the aid programs, Congress bolstered them with the addition of new funding. As part of this legislation, the maximum BEOG award was raised from $1400 to $1600. Additionally, the amendments included the Student Consumer Information Requirements. These requirements recognized the rights of students to have access to detailed, accurate information on all Federally sponsored student aid programs, expanding on a theme first included in the GSL provisions of the Education Amendments of 1972.[21] Student Consumer Information Requirements are detailed in Volume I, Chapter 11, of this report.

The continued commitment of the Federal government to expand the existing aid programs is further evidenced by the passage of the Middle Income Student Assistance Act (MISAA) in 1978. At the behest of President Carter, the Congress allocated significantly more funds to each of the Federal aid programs and made changes in need analysis formulas in order to extend eligibility for student aid to personnel from middle class circumstances. MISAA also raised the maximum BEOG award to $1800 and lifted all income criteria from the regulation governing Guaranteed Student Loans.[22]

---

[21] The Student Consumer Information Requirement also mandated that institution provide enrollees and prospective students with a wide range of information on education and career-related topics.

[22] A thorough discussion of MISAA and its effect on students is contained in "The Study of the Impact of the Middle Income Student Assistance Act" which was conducted by Applied Management Sciences as a follow-up to this study.

The latest legislative step was the creation of the Department of Education in 1979. Although it may not directly affect the current state of student aid, the Department (ED, as it will be known), scheduled to open its doors in May of 1980, shifts the location of postsecondary programs within the Executive Branch. The Secretary of Education and the Assistant Secretary for Postsecondary Education will have major roles in shaping the future of student financial assistance.

POLICY GOALS

The passage of the 1972 Education Act, as discussed above, created a basic charter for Federal higher education policy; one that has had enduring significance over the ensuing eight years. As Gladieux and Wolanin point out, "...the policy themes were largely unarticulated during passage of the law and are only implicit in it. Others were voiced again and again but only in catch phrases...."[23/] They identify eight distinct, albeit interrelated, themes: equal opportunity; student sovereignty; the division of Federal/state roles; Federal/state partnership; broadening the educational mainstream; reform and innovation; information and accountability; and continuity. Some of these aims are complementary while others are clearly at odds. They reflect the very nature of higher education legislation, i.e., a collection of values and objectives that do not reflect a coordinated or coherent philosophy.

Equal Opportunity

Above all, the goal of equal opportunity dominates both the law and the legislative history. The principal objective is the removal of financial barriers which might otherwise deter an individual from the pursuit of education or training beyond high school. As Fife points out, this goal has three objectives:

- to provide students access to a postsecondary education;
- to allow students reasonable choice, i.e., freedom to select the particular source of this education; and

---

[23/] Gladiuex and Wolanin, pp. 223-224.

- to permit retention or persistence, i.e., to enable the student to pursue this education to its conclusion.[24]

These are all distributive issues in that they deal with the ways in which the benefits of student aid are meted out to individuals.

For an individual to achieve equal educational opportunity, there must first be available the access (defined as the student's participation in some form of postsecondary education) to an institution of higher education. As stated by the Carnegie Commission:

> We favor, on the other hand, universal access for those who want to enter institutions of higher education, are able to make reasonable progress after enrollment, and can benefit from attendance.[25]

Furthermore, the role of student financial aid programs should be to eliminate the financial barriers that prevent the attainment of this universal access.[26] As commonly interpreted, this means that all students should have an "equal chance" to advance their education, regardless of their individual intelligence or motivation.

Student access to postsecondary education is influenced by Federal policies in several ways. Policies that either increase a student's anticipated future income stream (e.g., affirmative action impact or employment opportunities for members of minority groups) or decrease the costs associated with college attendance (e.g., grants-in-aid, fellowships) favorably affect the expected rate of return. Federal BEOG,

---

[24] Jonathan D. Fife, Applying the Goals of Student Financial Aid (Washington, D.C.: American Association for Higher Education, 1975), p. 1.

[25] Carnegie Commission on Higher Education, Quality and Equality: Revised Recommendations. New Levels of Federal Responsibility for Higher Education (New York, N.Y.: McGraw Hill Company, 1970).

[26] The National Commission on Financing Postsecondary Education, Financing Postsecondary Education in the United States (Washington, D.C., 1973), p. 53.

SEOG, and the State Student Incentive Grant (SSIG) programs are one strategy for encouraging further education for those with limited resources.

The grant programs, of which BEOG is by far the largest, attempt to meet this objective by equalizing the financial barriers faced by potential students across family wealth levels. Toward this end, expected family contributions from assets and income are calculated, a level of student self-help is assumed, and grants are given to offset differences in family aid to the student among participants. Thus, Basic Grants may be seen as an attempt to equalize total nonreturnable aid (including expected parental contribution) that students receive at similarly priced institutions. The remaining price (cost of education minus nonreturnable aid) that students face for their postsecondary education is assumed to be made up by students' loan and work.

A second way in which Federal programs may encourage increased postsecondary participation is to neutralize imperfections in capital and employment markets by making "self-help" a readily available option for the student. The GSL and NDSL programs are designed to provide a more adequate capital market for students who otherwise would be unduly penalized. Work-study programs, by providing educationally related on-campus employment, are also an important part of this strategy.

Third, insofar as go/no-go decisions are based on student perceptions, improved information, advisement, and counseling contribute to better informed judgments. Talent Search and Upward Bound programs are examples of this Federal strategy. Other programs that assist in recruitment, provide career and occupational counseling, or provide supportive services (remediation, veterans' counselors), add to the information flow or help to instill confidence in students to advance their education. Thus, there are a variety of ways in which Federal programs impinge on the access decision and help to reduce barriers to further education.

The second component, choice, is dependent upon the issues of access, i.e., before a student can choose a particular school or educational program, he/she must have access to alternatives. As Pesqueire has noted:

> Equal opportunity really is a two-faceted concept. That is to say, first, we should speak of access to an equity in postsecondary education in terms of rates and patterns of enrollment. Secondly, we should speak of access to and equity in types or levels of institutions. There are two dimensions vis-a-vis equality of educational opportunity in higher education - choice as well as access.[27]

Implicit in the goal of choice is the belief that a student's motivation in selecting a particular institution should be based primarily on nonfinancial considerations. In addition, as Fife states:

> Promotion of choice also recognizes that by allowing freer movement between institutions of various costs, greater competition will be encouraged. It is hypothesized that by increasing the dynamics of the market-place, institutions will be forced to become more sensitive to the student's educational needs. Students, on the other hand, should be expected to select institutions that will provide them with the most education for their money. This will stimulate the less efficient institutions to reexamine their organization and strive to become more efficient to compete with other institutions.[28]

The resulting diversity and competition among institutions can be thought of, then, as a secondary goal of student aid.

College choice--that is, broadening the feasible set of options from which a student selects an institution to attend--is also affected by Federal programs. Grant-in-aid programs, such as BEOG, which base assistance levels on the cost of college attended, help to raise the perceived rate of return for high tuition options. If students are to be enabled to select an institution that best fits their educational needs, then reducing differences in cost that are unrelated to educational program or quality provides a greater measure of equality of opportunity to the student with limited means. Improved information and differential assistance levels (based on tuition charges) are strategies that broaden the range of choice for potential students among public and independent institutions, and between community college vocational programs and proprietary schools.

---

[27] R.E. Pesqueire, "Equal Opportunity in Higher Education: Choice as Well as Access," *College Board Review*, No. 97 (Fall 1975), p. 33.

[28] Fife, *ibid.*, p. 33.

The final area, persistence, is related to the student's ability to complete his/her educational objectives. Strategies affecting persistence are analogous to access strategies; completion of a course of study can be considered to be a continuous series of go/no-go decisions based on reevaluations of added costs and benefits. In today's world, where dropping-out or stopping-out are more common, the concept of persistence must be extended over the period of adult life. Late entrance, or reentrance, is becoming more common, and Federal programs are significant insofar as they may penalize, or be especially designed to assist, the older out-of-phase student.

The rates of return to investment in higher education are not linear with respect to the number of years completed. In fact, as Olson, White, and Shefrin point out, "college should be taken as a package or not at all due to the large, positive effect of the fourth year of college (a possible 'sheepskin effect')."[29/] Yet, as is known, the dropout rates for college students are extremely high. Using National Longitudinal Study data as a source, of those in the high school class of 1972 who entered community colleges in the fall of 1972, only 63 percent continued in 1973. Similarly, for those who attended a 4-year college in 1972, only 68 percent continued in 1974.

A major assumption underlying student aid programs is that many needy students require financial assistance in order to remain in school.

[29/] Lawrence Olson, Halbert White, and H.M. Shefrin, "Optimal Investment in Schooling When Incomes Are Risky," Journal of Political Economy, Volume 87, No. 3, 1979.

This hypothesis is supported by the recent findings of Maxwell who concludes that, controlling for parental income, type of institution attended, race and educational cost, "...aid always increases persistence...aid is particularly effective for low income students who pay low or high tuition...."[30]

Therefore, the third goal that must be met for the achievement of equal educational opportunity is that of retention. As long as they are qualified and motivated, students should be afforded the opportunity to pursue their education to its completion. While this may seem obvious, it has been often overlooked. Most student aid programs have sought to maximize the breadth of the distribution of aid funds and have not provided sufficient emphasis on continuing support for ongoing students.[31]

Student Sovereignty

As a corollary to the goal of equal opportunity, the law adhered to the concept of student sovereignty in the market for postsecondary education, i.e., the choices of students, and not institutions, are given first priority in Federal support to higher education. While arguments were advanced for institutional support as a means of ensuring the survival of private schools in particular, the legislation has clearly articulated a desire to place the power of choice in the hands of needy students. The integrity of the nation's institutions, while an important goal, was seen to be secondary to responsiveness to student needs.

The Provision of Federal-State Roles

The 1972 Education Act clearly reaffirmed the long-standing boundary between state and Federal authority. Proposals to underwrite the entire higher education system were rejected in favor of filling specific gaps in the existing patterns of distribution. To the extent that equality of opportunity was not being afforded to certain types of students, the Federal role would be to address such inequities. The states would retain primary responsibility for the provision of educational services.

---

[30] James Maxwell, "Effect of Financial Aid on Persistence in College," Paper presented at the Annual Meeting of the American Education Research Association, 1980, p. 10.

[31] National Task Force, 1975, ibid.

56

Federal-State Partnership

While on the one hand articulating support for state primacy, the 1972 Education Act also sought to encourage forms of Federal-state partnership. Specifically, it created the State Student Incentive Grant Program (SSIG) which established a Federal-state matching arrangement to increase funding of state-administered scholarships for needy students, the intent being to enlist the aid of the states in the drive to achieve the goal of equal educational opportunity.

Broadening the Educational Mainstream

The Act gave recognition to nontraditional students and institutions. While more remains to be done in this area, the extention of support to vocational programs and to students who attend less than full time resulted in the Federal adoption of a broader view of postsecondary education and one that was far more realistic considering the trend towards lifetime learning and the growing emphasis on occupational training.

Reform and Innovation

In addition to broadening the realm of higher education, the 1972 Act also established mechanisms which, albeit indirectly, would work to encourage change in the educational establishment. As Gladieux and Wolanin suggest, the intent was that "...students, 'voting with their feet,' will carry Federal funds into the schools they decide to attend. Moreover, the adoption of the concept of postsecondary education gave federal recognition to a broader range of options--a bigger marketplace--within which student choices could be exercised, thus helping to assure that the basic dynamic of the market, competition, would work more effectively."[32]

---

[32] Gladieux and Wolanin, p. 227.

HISTORICAL SURVEY OF THE LITERATURE[33]

Early Literature

Among the earliest research on the management of student financial aid is work conducted by the Harmon Foundation in 1924. This philanthropic organization, which specialized in "the trial of making loans on business terms to college students," conducted a survey of 326 postsecondary institutions to "ascertain theories, methods and experiences regarding the administration of funds for student aid." The study concluded that: (a) no generally accepted rules or methods existed for the management of student aid; (b) there is no valid reason for the administration of aid on radically different lines in the same type of school; and (c) scholarships should be given for scholarship achievements and not, except in certain circumstances, as charity merely on account of need.

In 1932, the Harmon Foundation published an evaluative report on student loan programs, stressing that careful investigation is essential in selecting new borrowers and that student loans should carry full commercial interest rates and penalties. Additionally, this report urged comprehensive counseling systems for all loan recipients. Besides being a lending agency itself, the Harmon Foundation also published several directories on student loan and scholarship sources (Harmon Foundation, 1923a, 1923b, 1935). These volumes provided students with a tool to expand their search for educational funds.

The thirties and the forties saw the continued production of literature on the subject of student aid. The first dissertation known to us on this topic was done at the University of Chicago in 1935 by Cavan (The Student and the Financing of the College: A Study of Student Fees, Student Aid, and Factors Affecting the Proportion of the Cost of Higher Education Borne by the Student). The same year saw evidence of early Federal interest in the student aid, expressed primarily in the work-relief programs of the Depression era. A pamphlet, "The Emergency

---

[33] A List of Selected References is appended to this chapter.

Education Program and the College Student Aid Program of the FEAR" (U.S. Federal Emergency Relief Administration, 1935) describes these efforts. One of the earliest U.S. Office of Education (USOE) publications on the topic of aid also appeared at this time. Sharpe and his colleagues at the American Council on Education published Financial Assistance for College Students in 1946, which was a directory of available student aid programs. An example of a well-organized directory is one first published by Keeslar in 1954 entitled Financial Aid for College Students, which has been updated periodically to keep pace with the changes in student aid availability.

With the 1950's there came a noteworthy shift in both the volume and the critical flavor of work on aid for students. Forecasts showed that demand for postsecondary education could exceed the level that could be sustained by traditional systems of private or state-level financing. The Federal government was already heavily involved in sponsoring higher education research, and the G.I. Bill had contributed to the higher education of a large number of veterans who would not otherwise sought to further their academic careers. The case for active Federal involvement in student assistance programs began to take hold as a generally accepted notion. One of those who used literature as a forum for drawing attention to the Federal role in student assistance was Elmer D. West of the American Council on Education (ACE), which published his Background for a National Scholarship Policy in 1956. In the same year the editors of Changing Times, the well-known Kiplinger newsletter, produced a slim volume which may have been the first consumer-oriented analysis of the system (Student Loans--Their Place in Student Aid). Despite the title and its brevity, this report covers much of the same ground as this study.

Administrative Issues: The Institutional - Federal Relationship

With the establishment of an on-going Federal involvement in student aid, the sphere of existing literature expanded to included issues related to the management of the aid programs. Publications concerning decisions faced by institutions in this regard became a mainstay of the literature produced on student aid. The first detailed manuals for aid administration began to appear in the early 1960s (e.g., Babbidge's Student Financial Aid: Manual for Colleges and Universities, published by the American College Personnel Association in 1960). In addition, a number of state-level studies were conducted during this time, particularly in the Northeast.

The first assessments of the National Direct Student Loan program (NDSL) were done by Robert C. Hall of USOE and released in 1962. This was followed by a 1964 General Accounting Office report on NDSL the title of which has a familiar ring today (Weaknesses in Administration of the Student Loan Programs Under Title II of the National Defense Education Act of 1958). A number of others conducted major assessments of the general aid system at this time including: the College Scholarship Service's Student Financial Aid and National Purpose: A Colloquium, Student Financial Aid and Institutional Purpose (1964), and The Economics of Higher Education (1967); Rexford G. Moon's special study of U.S. student aid practices in 1961 for the International Study of University Admissions, later published by the College Board as Student Financial Aid in the U.S.: Administration and Resources (1963). Reviewing the scene in 1963; and Moon's 1967 study Financial Aid to the Undergraduate -- Issues and Implications (published by the American Council on Education).

Since the mid-sixties, the trends of increased interest in financial aid as an area of study, a greater and greater attention to detail, and the broadening of the field to cover every aspect of the student aid process have become standard fare. Manuals for guidance of aid personnel have increased in number and have dramatically increased in quality. Of particular note is the new manual, Management of Student Aid, published by the National Association of College and University Business Officers (NACUBO), which provides a thorough treatement of most institutional aspects of the present system. Another useful guide is Van Dusen's Design for a Model College Financial Aid Office (1973). Step-by-step manuals, designed as guides to be utilized by financial aid officers have been produced by a number of private organizations including: the National Association of Student Financial Aid Administrators (NASFAA), the National Association of Trade and Technical Schools (NATTS) the College Scholarship Service (CSS) and the American College Testing Program (ACT).

Literature on Loan Management

As the scope of aid programs broadened, and as the volume of money which institutions were administering ballooned to its present proportions, writers became increasingly aware that aid offices needed assistance in designing specific aspects of their practices and policies. One area which has demanded specific attention is the administration of student loan programs -- specifically methods to increase borrower repayment.

After monitoring repayment activities for seven years, the Harmon Foundation (1929) concluded that student borrowers in the 1920's were excellent credit risks; default rates were less than two percent. Years later, Ormes (1957), Ruegsegger (1958) and The Massachusetts Higher Education Assistance Corporation (1959) reached similar findings for repayments in the National Defense Student Loan program and in several newly organized state guaranteed loan programs. With the wider distribution of loans in the 1960s, came the emergency of significantly higher rates of loan default. In 1965, the Subcommittee on Education of the House of Representatives reported that 16 percent of the loans made under the NDSL program were delinquent. The U.S. Office of Education attributed this high percentage of delinquencies to poor institutional management and counseling. The findings of Abate (1963) and Hill (1965) bore out this contention. The early seventies witnessed a number of presentations designed to combat the growing rate of default. Some of this literature "describe this problem (default), why it exists, and its implications of the future operation of loan programs. (Mathis, 1973; U.S. Congress, House Committee on Education and Labor, 1974a; U.S. Congress, Senate Committee on Labor and Public Welfare, 1975; U.S. Congress, Senate Committee on Governmental Operations, 1976)."[34] To help improve loan management at the institutional level, Whyte (1973) surveyed the lending practices of 30 commercial lending institutions, and produced a list of ten suggested loan management practices. In another effort, Spencer (1974) developed a stepwise multiple regression procedure to statistically predict which students might be poor loan risks.

---

[34] Jerry, Davis and William D. Van Dusen, Guide to the Literature of Student Financial Aid, (New York, NY college Entrance Examination Board 1978) p. 60.

Other techniques for handling loan delinquencies have been presented by the U.S. General Accounting Office (1973), Maynard (1974), Wolfe (1974) and Swift (1976). All these works present suggestions on how to improve loan collections at the institutional level. The rise of computer based systems for managing loan collections have been explored by Miller (1975), Wolfe (1974), and Aiken (1974).

Literature on Student Financial Aid Counseling

To date, most research in the area of counseling student aid recipients and applicants has concentrated on methods of properly disseminating financial aid information to students and parents (Whalen, 1975; Trutko, 1976; Von Klein et al., 1976). Innovations in standard approaches are offered by Banister and Griswold (1974) and Bob and Davis (1976), who suggest the use of group counseling sessions to more effectively present aid information. Additionally, the College Scholarship Service has sponsored experiments in improved/innovative financial aid information dissemination (CEEB, 1976).

The role of formal counseling in financial aid is discussed by Johnstone (1973), Quesada-Fulgado (1974) and Fields (1974). Each argues for the need and importance of establishing and maintaining a personal counseling relationship between the aid officer and student. Other counseling-related literature seeks to define, more specifically, the institutional responsibilities which must be recognized as schools attempt to provide counselling services. Stamatakos (1972), Edwards (1975), Contter (1971), and CEEB (1976) all address this issue and offer specific suggestions.

Literature on Data Processing Applications

As federal and locally administered student aid programs continue to expand their scope, the need for developing new methods of managing financial aid grows. Many administrators have concluded that the best way of meeting this need is to incorporate data processing systems into their aid programs (Brown, Jones, and Overman, 1967; College Entrance Examination Board, 1968; Jepsen, Mateijka and Hulet, 1972; and Miller, 1975).

Jepsen (1973) and Jepsen and Buchanan (1973) examined the application of computer processing at postsecondary institutions, and found that although few financial aid offices utilized computers during the early 1970's, many planned to incorporate data processing functions into their operations in the future. Recently, Cooper (1979) surveyed 108 institutions in California and found that 79 percent utilized computers for either computation or printing functions.

Other Literature on Administrative Practices

Given the current state of the art, there are few areas of aid practice which have not been explored in some form. The nature of current need assessment procedures have been discussed by CSS (1979), ACT (1979), Keppel (1974), U.S. Office of the Comptroller General (1979), and the General Accounting Office (1979). These publications either define the current system in use or present critiques based on their perception of inconsistent practices. Peter K. U. Voight (1979) presents the administration view of need analysis in his testimony before the House of Representatives Education and Labor Subcommittee on Postsecondary Education.

The management of personnel in aid offices has also been a subject of discussion. These discussions have concerned themselves with the role of "professional" staff in aid offices as well as the employment of part-time and peer personnel. Stanly Cross writing in the Journal of College Student Personnel advanced the view that the financial aid office should be considered in terms of its implication for the student. North (1975), Van Dusen (1973), Edwards (1975), Fields (1974), Butler (1978) and Cooper (1979) all stress the necessity of developing the Financial Aid Director as a "professional" position, with special skills, adequate compensation, and a suitable role in the institutional hierarchy.

With the need for more personnel to manage growing financial aid programs, many colleges and universities are now relying heavily upon part-time employees. The National Center for Educational Statistics (1977) reports that 79 percent of all the higher educational institutions in the U.S. employ part-time staff members in their financial aid operations. In a similar study Tombaugh, Heinich, and Ratnofsky (1977) revealed the increasing assignment of paraprofessional responsibilities to part-timers. A variety of views on the use of part-time and peer employees are contained in many of the aid office manuals previously noted.

Summary

The above is not intended as an exhaustive dissertation on existing literature on student financial aid. Its purpose is to set out some of the basic themes which have been expressed in the literature on this vastly complex subject matter. Taken in combination with the review of literature in Chapter 3 of Volume II of this report, it will provide potential researchers with a roadmap with which to begin explorations of specific sub-topics in this area. For further reading, we recommend the Guide to the Literature of Student Financial Aid compiled by Davis and Van Dusen (1978). As a chronological source of topics of discussion, the Journal of Student Financial Aid, published by NASFAA is also a useful reference tool. Immediately following is a List of Selected References which identifies the publications cited in this review and provides additional sources of reference on the institutional management of student financial aid funds.

LIST OF SELECTED REFERENCES

Abate, Robert B. "College on Credit: Be Careful." Journal of the Association of College Admissions Counselors, Vol. 8, 1963, pp. 14-16.

Adams, Hollis, and Richardson, Duane E. Study of Alternative Funding Mechanisms for Student Financial Aid. Portland, OR.: Northwest Regional Educational Laboratory, 1976.

Aiken, L.R., Jr., and Woodside, D.M. "Some Formulas and a Computer Program for Determining Payment Schedules on Student Loans." Journal of College Student Personnel, Vol. 15, September 1974, p. 413.

Babbidge, Homer D. Student Financial Aid: Manual for Colleges and Universities. Washington, DC.: American Collge Personnel Association, 1960.

Bannister, John G., and Greswold, Anna M. "Group Interviews - An Effective Approach to Counseling Students Concerning Loan Responsibilities." Journal of Students' Financial Aid, Vol. 4, No. 1, March 1974, pp. 37-39.

Beck, Norman E. A History of Modern Student Financial Aids. Dissertation, Bell State University, 1971.

Beck, Norman E. Perspectives on Financial Aid. Princeton, NJ.: College Entrance Examination Board, 1975.

Black, R. W. "Other Students Need Money: An Approach to the Administration of Revolving Loan Funds." Journal of Student Financial Aid, Vol. 7, May 1977, pp. 26-30.

Bob, S., and Davis, H. "Student Financial Aid: A Community Service." Community and Junior College Journal, Vol. 47, October 1974, pp. 26-27.

Brown, R.M., Jones, S.S., and Overman, I.O. Computer Applications to Financial Aid Processing. Iowa City, IA.: American College Testing Program, 1967.

Bugenhazen, D., et al. Title IV Self-Assessment Guide for Financial Aid Officers. Syracuse, NY: Syracuse University, 1976.

Butler, W.R. Financial Aid: A Guide For Successful Management. Washington, D.C.: University Associates, Inc., 1978.

Caliendo, N., and Curtice, J.K. "Title IX: A Guide for Financial Aid Administrators." Journal of Student Aid, Vol 7, May 1977, pp. 32-43.

Carnegie Council on Policy Studies in Higher Education. Fair Practices in Higher Education. San Francisco, CA.: Jossey-Bass, 1979.

Cavan, Jordan True. *The Student and the Financing of the College: A Study of Student Fees, Student Aid, and Factors Affecting the Proportion of the Cost of Higher Education Borne by the Student.* Thesis, University of Chicago, 1935.

College Entrance Examination Board. *Financial Aid Information Systems.* White Plains, NY.: International Business Machines, 1968.

College Entrance Examination Board. *Making It Count: A Report on A Project to Provide Better Financial Aid Information to Students.* New York, NY.: College Entrance Examination Board, 1976.

College Entrance Examination Board. *Student Financial Aid and National Purpose.* Princeton, NJ.: College Entrance Examination Board, 1962.

College Entrance Examination Board. *Student Financial Aid and Institutional Purpose.* Princeton, NJ.: College Entrance Examination Board, 1964.

College Entrance Examination Board. *The Economics of Higher Education.* Princeton, NJ.: College Entrance Examination Board, 1967.

College Entrance Examination Board. *Unmet Needs.* New York, NY.: College Entrance Examination Board, 1976.

College Entrance Examination Board. *CSS Needs Analysis: Theory and Computational Procedures.* Princeton, NJ.: College Entrance Examination Board, 1979 (periodically revised).

College Entrance Examination Board. *Who Pays? Who Benefits? A National Invitational Conference on the Independent Student.* Princeton, NJ.: College Entrance Examination Board, 1974.

College Entrance Examination Board. *New Approaches to Student Financial Aid.* (The Report of the Panel on Student Financial Need Analysis.) Princeton, NJ.: College Entrance Examination Board, 1971.

Consortium on Financing Higher Education. *Federal Student Assistance: A Review of Title IV of the Higher Education Act.* Hanover, NH: The Consortium, 1975.

Cooper, Harlan T. *Diversity in College and University Administration of Federal Student Financial Aid.* Stanford, CA.: Stanford University, 1979. (Dissertation)

Davis, Jerry S., and Van Dusen, William. *Guide to the Literature of Financial Aid.* Princeton, NJ.: College Entrance Examination Board, 1978.

Doermann, Humphrey. Toward Equal Access. New York: College Entrance Examination Board, 1978.

Editors of Changing Times. Student Loans, Their Place in Student Aid. New York, NY.: Kiplinger, 1956.

Edwards, Eunice, and Ingle, James. "Organizational Structure of a Financial Aid Office." In Perspectives on Financial Aid. New York, NY.: College Entrance and Examination Board, 1975.

Errecart, Michael; Price, Lewis; and Small, Eric. Basic Educational Opportunity Grant Quality Control Study. Rockville, MD: Westat Inc., 1979.

Fields, C.R. "Financial Aid Officer: Accountant or Counselor." Journal of Student Financial Aid, Vol. 4, June 1974, pp. 8-14.

Froomkin, Joseph. Aspirations, Enrollments, and Resources. Washington, DC.: U.S. Government Printing Office, 1970.

Gladieux, Lawrence E., and Wolanin, Thomas R. Congress and the Colleges. Boston, MA.: D.C. Heath, 1976.

Gross, Stanley. "A Critique of Practices in Administration of Financial Aid." In Journal of College Student Personnel, March 1966.

Hall, Robert C. The National Defense Student Loan Program: A Two-Year Report. U.S. Office of Education, 1962.

Hall, Robert C., and Craigie, Stanton. National Defense Student Loan Program: Student Borrowers, Their Needs and Resources. U.S. Office of Education, 1962.

Hansen, Janet S. The State Student Incentive Grant Program. New York, NY.: College Entrance Examination Board, 1979.

Harmon Foundation, Inc. Seven Years' Experience with Student Loans. New York, NY.: Harmon Foundation Inc., 1929.

Harmon Foundation, Inc. Student Loan Funds: A Study of Student Loan Funds and their Administration Throughout the United States. New York, NY.: Harmon Foundation, Inc., 1924.

Harmon Foundation, Inc. Survey of Student Aid in Greater Boston. New York, NY.: Harmon Foundation, Inc., 1935.

Harmon Foundation, Inc. Survey of Student Aid Sources in New Jersey. New York, NY.: Harmon Foundation, Inc., 1932.

Harmon Foundation, Inc. Survey of Student Aid Sources in New Jersey & Trends and Procedures in Student Loans. New York, NY.: Harmon Foundation, Inc., 1932.

Hartmann, Robert W. Credit for College: Public Policy for Student Loans. New York, NY.: McGraw-Hill, 1976 (prepared by the Brookings Institute, 1970-71).

"HEW to Step Up Collection of Direct Loans." Higher Education Daily, November 15, 1978, p.3.

Holmes, Robert B. An Examination and Analysis of Selected Aspects of the Allocation Procedures for the Campus-Based Federal Student Financial Aid Programs. Ann Arbor, MI.: University of Michigan (dissertation), 1977.

House of Representatives, Subcommittee on Education. Report on Collection of National Defense Student Loans - Background Material with Related Recommendations. Washington, DC.: U.S. Congress, 1965.

Illinois Economic and Fiscal Commission. Student Financial Aid in Illinois: A Program Evaluation. Springfield, MA.: The Commission, 1974.

Jepsen, K. J. Computer Decision Making in Student Financial Aid Administration. Bloomington, IN: Indiana University, 1973. (Dissertation)

Jepsen, K.J., and Buchanan, T. M. "Financial Aid Decisions Made by Computer." College Management, Vol. 8, October 1973, pp. 17-18.

Jepsen, K.L.; Matejka, L.E.; and Hulet, R.E. "Do More With Less: 'Computer Packaging' - One Possibility." National Association of Student Personnel Administrators Journal, Vol. 10, October 1972, pp. 156-160.

Johnstone, D. Bruce. New Patterns for College Lending: Income Contingent Loans. New York, NY.: Columbia University Press, 1972.

Keene, R., et al. Money, Marbles, or Chalk: Student Financial Support in Higher Education. Carbondale, IL.: Southern Illinois University Press, 1975.

Keeslar, Orren Pierre. Financial Aids for College Students. Dubuque, IA.: W.C. Brown, 1974.

Lapchick, Joseph D. Principles and Practices in Student Financial Aid Programs. Concord: NH. Loan and Scholarship Study Commission, 1962.

Massachusetts Higher Education Assistance Corporation. *Higher Educational Loan Plan for Massachusetts Students*. Boston, MA.: Massachusetts Higher Education Assistance Corporation, 1959.

Mathis, J.H. "Defaults: Lowering Cloud over the Guaranteed Loan Program." *Journal of Student Financial Aid*, Vol. 3, March 1973, pp. 27-31.

Maynard, Alan P. "Suggestions for Improving Student Loan Billing Techniques." *Journal of Student Financial Aid*, Vol. 4, #2, June 1974, pp. 15-22.

Midwest Association of Student Financial Administrators/United States Office of Education. *Working Papers: MASFAA/USOE Invitational Student Expense Budget Conference*. Iowa City, IA.: American College Testing Program, 1976.

Miller, L.K. "Computer Assisted Financial Aid Disbursements and Loan Collection." *Journal of Student Financial Aid*, Vol. 5, November 1975, pp. 27-34.

Moon, Rexford G. *Student Financial Aid in the U.S.: Administration and Resources*. Princeton, NJ.: College Entrance Examination Board, 1963.

National Association of College and University Business Officers (NACUBO). *Management of Student Aid*. Washington, DC.: The Association, 1979.

National Association of Student Financial Aid Administrators. *Fundamental Financial Aid Self-Learning Guide*. Washington, DC.: National Association of Student Financial Aid Administrators, 1979.

National Center for Educational Statistics. *Part-Time Financial Aid Counselors In Institutions of Higher Education*. Fast Response Survey System Report No. 3, 1977.

National Task Force on Student Aid Problems. *Final Report*. Brookdale, CA: The Task Force, 1975 (the Keppel Report).

New York State Education Department. *Financial Aid for New York State Students: A Report to the Regents*. Albany, NY.: State Education Department/State University of New York, 1974.

North, W.M. "Role and Functions of the Financial Aid Office." In *Perspectives on Financial Aid*. New York, NY.: College Entrance and Examination Board, 1975.

Ormes, Ferguson, R. "Wabash College: Finds the Record Good on Repayment of Student Loans." *College and University Business*, Vol. 22, 1957, pp. 23-25.

Orwig, M.D. *A Survey of Financial Need Analysis Methods Used in Institutions of Higher Education*. Bloomington, IN.: Indiana University, 1970. (Dissertation)

Orwig, M.D. (ed.) *Financing Higher Education: Alternatives for the Federal Government*. Iowa City, IA.: American College Testing Program, 1971.

Packer, Joel. "Student Aid and Student Needs on Campus," in J. B. Heney (ed.) *New Directions in Institutional Research*: *The Impact of Financial Aid on institutions*. Washington, DC.: American College Testing Program, 1980.

Pitre, T.P. "Administration of Financial Aid." In College Entrance Examination Board, *College Admissions #2*. College Entrance Examination Board, 1955, pp. 90-98.

Quesada-Fulgado, Carmencita. "The Role of Counseling in Financial Aid." *Journal of Student Financial Aid*, Vol. 4, No. 1, 1974, pp. 19-24.

Ratnofsky, A. *Report on Expanding Financial Aid Information Services via Part-Time Personnel*. Washington, D.C.: Office of Planning, Budgeting and Evaluation, U.S. Office of Education, 1977.

Research Triangle Institute. *Evaluation Study of the Upward Bound Program: A First Follow-up*. Research Triangle Park, NC: Research Triangle Institute, 1977.

Rice, Lois D. *Student Loans: Problems and Policy Alternatives*. Princeton, NJ.: College Entrance Examination Board, 1977.

Ruegsegger, Lester J. "Pay-as-you-go Plan Really Works. Fine Advantages of Policy Whereby Student Finances Own Plan of Installment Paying of Tuition Fees." *College and University Business*, Vol. 21, 1958, pp. 32-33.

Sharpe, Russell T., *et al*. *Financial Assistance for College Students*. American Council on Education, 1946.

Spencer, Lee E. "Risk Measurement for Short Term Loans." *Journal of Student Financial Aid*, Vol. 4, No. 3, November 1974, pp. 30-35.

Spies, Richard R. *The Effect of Rising Costs on College Choice*. Princeton, NJ.: College Entrance Examination Board, 1978.

Stamatakos, Louis C., and Bekkering, Jr. "Financial Aid: Whom Should it Serve?" *Journal of College Student Personnel*, Vol. 8, January 1972, pp. 61-4.

Stark, Joan S., ed. *The Many Faces of Educational Consumerism*. Lexington Books, Lexington, MA.: 1977.

Swift, J. "Collecting National Defense/Direct Student Loans: Is it a Financial Aid Office Responsibility?" *Journal of Student Financial Aid*, Vol. 6, February 1976, pp. 28-32.

Taylor, Graham R., and Kates, Robert J. *New Horizons: Student Financial Aid in the Commonwealth of Massachusetts*. Boston, MA.: College Entrance Examination Board, for the Massachusetts Board of Education, 1967.

Thomson, Norman J. *Economics of Student Loans*. Canberra: Australian Government Publishing Service, 1974.

Tombaugh, Richard L.; Heinrich, Kathleen R.; and Ratnofsky, Alexander. *Research on Part-Time Campus Student Financial Aid Personnel*. Washington, DC.: Educational Methods Inc., 1977.

Trutko, H.M. "Financial Aid Information: Does Your Message Get Lost?" *Journal of Student Financial Aid*, Vol. 6, February 1976, pp. 11-14.

U.S. Congress, House Committee on Education and Labor. *Hearings Before the Subcommittee on Postsecondary Education*. Reauthorization of the Higher Education Act and Related Measures. U.S. Government Printing Office, 1979.

U.S. Congress, House Committee on Education and Labor. Higher Education Loan Programs. *Hearings Before the Special Subcommittee on Education and Labor*. Washington, DC.: U.S. Government Printing Office, 1974.

U.S. Congress, Senate Committee on Government Operations. Permanent Subcommittee on Investigations. *Guaranteed Student Loan Program: Hearings, Part 1 and Part 2*. Washington, DC.: U.S. Government Printing Office, 1976.

U.S. Congress, Senate Committee on Labor and Public Welfare. Examination into the High Default Rate and the New Policy of the Department of Health, Education, and Welfare in Regard to Refunds Due to Students Attending Schools and How Those Refunds Affect the Amount of Federal Guarantee. *Hearing before the Subcommittee on Education of the Committee on Labor and Public Welfare*, Washington, DC.: U.S. Government Printing Office, 1975.

U.S. Congressional Budget Office. *Federal Student Assistance: Issues and Options*. Washington, DC.: U.S. Government Printing Office, 1980.

U.S. Department of Health, Education, and Welfare. *Student Financial Aid 1977-78 Handbook*. Washington, DC.: U.S. Government Printing Office, 1977.

U.S. Department of Health, Education, and Welfare. *Toward a Long Range Plan for Federal Support for Higher Education* (the Rivlin Report). Washington, DC.: U.S. Government Printing Office, 1969.

U.S. Federal Emergency Relief Administration. "The Emergency Education Program and the College Student Aid Program of the FERA" (pamphlet). Washington, D.C.: U.S. Government Printing Office, 1935.

U.S. General Accounting Office. *Improvements Needed in Administration of the Guaranteed Student Loan Program*. Washington, D.C.: U.S. Government Printing Office, 1973.

U.S. General Accounting Office. *Inconsistencies in Awarding Financial Aid to Students Under Four Federal Programs*. Washington, D.C.: U.S. Government Printing Office, May 11, 1979.

U.S. General Accounting Office. *The National Direct Student Loan Program Requires More Attention by the Office of Education and Participating Institutions*. Washington, D.C.: U.S. Government Printing Office, June 27, 1977.

U.S. General Accounting Office. *Weaknesses in Administration of the Student Loan Programs Under Title II of the National Defense Education Act of 1958*. Washington, D.C.: U.S. Government Printing Office, 1964.

U.S. Office of Education. *Federal Student Aid Program*. Washington, D.C.: U.S. Department of the Interior, 1935.

U.S. Office of Education. *National Direct Student Loan Program: Status of Defaults as of June 30, 1977*. Washington, D.C.: U.S. Government Printing Office, February 9, 1978.

U.S. Office of Education. *Students Helping Students: Student Perspectives on Federal Financial Aid*. Washington, D.C.: U.S. Office of Education, 1979.

Van Dusen, William D. *Design for a Model College Financial Aid Office*. Princeton, NJ.: College Entrance Examination Board, 1973; 1980.

Von Klein, W., *et al*. "Marketing Student Financial Aid." *College and University*, Vol. 51, Summer 1976, pp. 757-763.

Wagner, Alan. Cutting the Cost to Fit the Cloth: Student Expense Budgets. Washington, DC.: Unpublished Report, 1976. (Available from Washington Office, College Entrance Examination Board.)

West, Elmer D. *Background for a National Scholarship Policy*. Washington, DC.: American Council on Education, 1956.

West, Elmer D. *Financial Aid to the Undergraduate--Issues and Implications*. Washington, DC.: American Council on Education, 1963.

Whalen, C. "The High School Relation Aspects of Financial Aid." *Journal of Student Financial Aid*, Vol. 5, November 1975, pp. 21-26.

Whyte, H.E. "The Year of FISL." Journal of Student Financial Aid, Vol. 3, June 1973, pp. 12-18.

Willingham, Warren W. Professional Development of Financial Aid Officers. Palo Alto, CA.: College Entrance Examination Board, 1970.

Wolfe, H.G. "How to Collect Delinquent Accounts." College Management, Vol. 9, October 1974, pp. 11-12.

Woodhall, Maureen. Review of Student Support Schemes in Selected OECD Countries. Paris: Organization for Economic Co-operation and Development, 1978.

NOTE: In addition, other records of Congressional Hearings on Federal aid programs are an important source on legislative developments as well as the views of the financial aid community in the 1960s, 70s, and 80s.

SECTION II

THE INTERFACE BETWEEN POSTSECONDARY INSTITUTIONS AND THE FEDERAL GOVERNMENT

PREFACE

The student financial aid programs, established by the Congress under Title IV of the Education Amendments of 1972, are the result of a great deal of debate and discussion surrounding the selection of a proper method of delivering financial assistance to the students for whom it is intended. By electing to charge institutions with the primary responsibility for the distribution of a large portion of the total pool of financial aid dollars, the Federal government has fostered a complex series of interrelationships. For these Campus Based programs, the institutions are required to maintain very specific relationships with student aid applicants and recipients, as well as with the Federal government. As is detailed in Appendix B of this volume, the Basic Grant program, which is the cornerstone of the Federal aid structure, is administered primarily by USOE. The more limited role of institutions in the BEOG program, their wealth of Campus Based responsibilities, and the relative position of institutions within the Federal financial aid system will all be topics of concern in Section II of this volume.

Institutions of postsecondary education which choose to participate in the Basic Grant and/or Campus Based student aid programs enter into a partnership with the Federal government. The institutions and USOE are mandated by the Congress to work cooperatively in order to alleviate the fiscal barriers which confront student access and retention. For those persons who are not overly familiar with the history and rationale between this Federal-institutional partnership and its implications, Section II is intended to provide background and resource material which will attach greater meaning to the study results presented in Sections III, IV, and V of this volume.

3

INSTITUTIONAL MANAGEMENT OF STUDENT FINANCIAL AID PROGRAMS

GENERAL SCOPE OF STUDENT FINANCIAL AID MANAGEMENT

With participation in Federal financial aid programs, institutions of higher learning inherit certain management responsiblities. For example, an annual application for funding must be completed. Schools must follow a course of proper maintenance and retention of financial aid records. They must also periodically provide the government with information on educational costs, student enrollment sizes, and recipient status. Presented below is a discussion of these and other institutional responsibilities as they pertain to the Basic Grant and Campus Based programs. Also included is an outline of the financial aid and information services which schools must provide to any enrolled, or prospective, student.

BEOG Responsibilities

An institution must acknowledge several key administrative responsibilities when handling Basic Grant funds. For example, Federal regulations require schools to verify the enrollment status of each BEOG recipient before payment is made. If it is determined that a student's enrollment status has changed, it is the financial aid officer's responsibility to recalculate the original award. This award must then be applied as the primary base for meeting the student's need. Institutions must make certain that the Basic Grant award is not adjusted even if this practice results in overawarding.

Financial aid officers are also responsible for attempting to correct any apparent discrepancies they discover on a Basic Grant application (validation). In doing so, the following actions are recommended by the Office of Education:

- All financial documents should be reviewed to make certain that the discrepancy is not due to variations in reporting periods.
- The student should be contacted so that he/she has the opportunity to explain or to correct the information in question.
- If there is proof that information has been falsified, the institution must withhold payment of any BEOG award(s) and report the case to the Office of Education for further investigation.

The institution's proper maintenance of Basic Grant awards is another responsibility mandated by USOE. For each student receiving a BEOG, the following must remain on file: a notarized copy of the "Affidavit of Educational Purpose," in which the recipient agrees to use the award for educational purposes only; an original copy of the recipient's Student Eligibility Report (SER); and a copy of an award notification letter which contains the amount of the award and how it will be paid. These and all other institutional records relevant to the Basic Grant program must be made available to the Commissioner of Education for the purpose of program reviews or audits.

Under the regulations of the BEOG program, institutions are also responsible for the completion of two reports. In order to determine whether an institution's authorization ceiling should be raised or lowered, schools must submit the BEOG Progress Report three times each year. This report allows for an adjustment in the BEOG payments to an institution as determined by both the actual and expected demand for such funds. The second required report is the Student Validation Roster. Through this report, the institution verifies each recipient's enrollment status and the actual award paid out to each. The Office of Education uses this information to reconcile the institution's Basic Grant account at the close of each fiscal year.

Campus Based Responsibilities

Perhaps the single most important item in the management of the Campus Based program is the proper and timely submission of the Fiscal Operations Report (FISAP). The FISAP represents the combined funding application and fiscal operations report for all the Campus Based programs. In its annual completion, financial aid managers must not only assess the present condition of their Campus Based programs but also predict the approximate level of funding needed for the next academic year.

As in the case of the Basic Grant program, institutions that receive Campus Based funds must make certain that these monies are properly disbursed to all eligible students. Other responsibilities of the participating institutions include: maintenance of an effective financial aid counseling program; evaluation of aid applications; notification to students of action taken on applications; packaging of aid; revision of aid packages to respond to unique student situations; maintenance of an accurate record keeping system; management of an exit interview procedure for loan recipients; and coordination of the post-enrollment activities of the NDSL program.

STUDENT SERVICES

The Student Consumer Protection provision of the Higher Education Amendments of 1976 assures prospective and enrolled students that they will be provided with proper consumer information regarding financial aid. An institution which receives an administrative allowance for its participation in any of the Federal aid programs is required to provide the following:[1/]

- Information on all financial aid available from institutional, state, and Federal sources;
- A description of how to apply for aid funds and what standards are used to determine eligibility;

[1/] Schools which participate only in the GSL and BEOG programs need to comply only with the Consumer Information Requirements governing guaranteed Student Loans since the administrative allowance for BEOG recipients has never been funded.

- Figures on the cost of attending the institution and its refund policy;
- Information on the rights and responsibilities of a student who receives financial aid;
- A description of how and when aid is distributed among students;
- A sample loan repayment schedule;
- Information on the academic programs, faculty, and facilities of the institution and, if possible, data on the number of students who complete each academic program;
- A list of criteria used to determine if a recipient is in good academic standing; and
- Institutional data on student retention.

The legislation also requires institutions to maintain an employee who will assist students in obtaining financial aid information. This requirement may be waived for those institutions that are too small to necessitate such a full-time employee.

SPECIFIC MANAGEMENT PRACTICES

In attempting to cope with the management responsibilities which are required of participants in the Campus Based and Basic Grant Programs, institutions seek guidance from a number of sources. Among the areas which require the use of specific management skills are:

- Personnel
- Loans
- Data Processing
- Counseling
- Records

As was outlined in the review of literature, included as part of Chapter 2, a number of non-Federal organizations and associations have produced manuals for use by financial aid office(r)s in their efforts to make necessary management decisions. The Federal government has also been a source from which institutions can obtain guidance on these matters.

Federal Regulations Regarding Management

Although most of the regulations which are promulgated by USOE address relationships between institutions and the Office of Education, some spell out the procedures that institutional officials are to follow when administering Basic Grant and Campus Based aid. Among the ones covered by regulation are, by program:

- Basic Educational Opportunity Grant (BEOG)
    - award adjustments
    - disbursement of funds
    - recovery of overpayment
- Supplemental Educational Opportunity Grant (SEOG)
    - award adjustments
    - recovery of overawards
    - disbursement of funds
    - record keeping procedures
- National Direct Student Loan (NDSL)
    - award adjustments
    - recovery of overawards
    - disbursement of funds
    - record keeping procedures
    - loan collection procedures
- College Work-Study (CWS)
    - award adjustments
    - treatment of overawards
    - disbursement of funds
    - record keeping procedures
    - establishment of Wage Rates

Personnel Management

The manner in which aid offices manage the use of personnel is largely determined by the amount of available resources. As Chapter 5 of this volume will discuss in depth, those institutions which have enough employees to draw upon, face a number of choices regarding the specialized areas of staff responsibilities which best suit their situation. Potential positions which may be found in a financial aid office include:

financial aid director
assistant/associate director
office manager
counselor
records manager
CWS coordinator
clerk
secretary
computer analyst
data processing technician
receptionist
peer counselor
BEOG coordinator
loan officer
collections personnel
accountant

Few schools employ all of the above personnel; some utilize more, some considerably less, and a whole host at various points in the middle. Additional areas of study within personnel management are the use of peer employees, establishment of financial aid "professionalism," staff recruitment, salaries, and retention.

Loan Management

Institutions which participate in the National Direct Student Loan Program face a unique set of responsibilities. Among the resultant management objectives is the coordination of activities between more than one office within a school administration. The greatest cooperation in loan management must, necessarily, be between,

> ...the financial aid and business offices, where loans originate and are disbursed and collected. So that no functions are missed and a smooth progression of administration is guaranteed, a clear-cut division of responsibilities must be made between staff members responsible for granting loans and those responsible for disbursement and collection. These parties must coordinate their efforts so that procedures do not lapse, and all parties involved in administering different phases of the loan program must be familiar with the entire program. If the institution is small and if staffing requirements are such that a division among personnel is not possible, internal controls need to be established to separate the various functions. Good management practices prohibit the practice of approval, disbursement, and collection as one person's function.[1]

The National Association of College and University Business Officers (NACUBO), who provided the above quotation, advocates the establishment of loan officers who are separate from the financial aid office. NACUBO and a number of other organizations contend that the development of the very specific skills which are necessary for the effective management of student loan funds demand specialized personnel and resources. As outlined previously, loan activities encompass a wide range of dissemination and collections activities. Many institutions are currently contracting out some of the services which they are legally committed to provide. These are the loan management issues which will be considered in Chapter 10 of this volume.

---

[1] National Association of College and University Business Officers, The Management of Student Aid. (NACUBO, Washington, D.C.: 1979), p. 71.

Data Processing

The recent rapid growth in the size and scope of student financial aid programs has resulted in a concurrent rise in the amount of tasks which must be performed by financial aid offices. A number of institutions have attempted to meet the rigors of this expansion by turning to various applications of computer technology. The aid community is not unanimous on the merits of the applying of data processing techniques to such areas as packaging, where opponents fear that the process will become "de-personalized." Aid offices around the nation are currently facing decisions regarding computer usage. NACUBO, again, offers a concise overview of the contemporary mood regarding this issue:

> Until recently, computer technology and cost have made it difficult, if not impossible, for smaller institutions to adapt their aid system to computer processes. With the advent of the mini-computer and time-sharing facilities, paralleled by the development of specific program packages, the computer is now a much more attractive option in the management of student financial aid. Although student aid programs have been administered without the computer, the growth in size and complexity of the total aid function dictates further mechanization of previously manual processes. The net result should be better service to students, with parallel improvements in accountability. Computer application in this area is desirable for several reasons.[2]

---

[2] NACUBO, Ibid. p. 117.

As computers become a more and more accepted tool of the trade in financial aid, the management and information control (i.e., access) issues associated with their use will, undoubtedly become more complex. Aid office(r)s which utilize computers face new challenges to ensure the confidentiality of student records. When control of the computer is centered in the school's business, admissions, or registrar's office, these problems are compounded. For now, their compatibility with recordkeeping, report preparation, correspondence, and loan responsibilities is unquestioned.

Counseling Management

The complexities of the financial aid system have created problems for students as well as aid office(r)s. Prospective recipients of student financial aid require the services of trained personnel in order to fully understand the range of available aid and sources and ensure that they receive the aid to which they are entitled. Through the recently enacted Student Consumer Information Regulations, the Federal government has formally recognized the institution's role in providing counseling and information to students and their families.

In order to properly inform and counsel students on the various aspects of financial aid, many institutions have taken to specializing the roles of counselors. For example, some schools employ persons who are wholly responsible for the provision of loan-related counseling -- before, during, and after a loan is procured. Financial aid office(r)s must also provide training for counselors in order to ensure the accuracy and timeliness of the services which they provide. In a number of settings, counseling is assigned as a part-time responsibility of full-time aid office personnel. This again raises the issue of "professionalizing" aid office functions. As a final note, aid offices have most recently faced decisions regarding the use of peer counselors. Although there is not a unanimous sentiment regarding the degree to which peer employees should be utilized, there is general agreement that peer counselors can effectively bridge some of the gaps which may exist in formal counseling atmospheres.

Records Management

Record-keeping responsibilities are paramount among the tasks which are performed by institutional financial aid offices. The Federal government requires that "hard copy" files be maintained for every recipient of financial aid, even if a school has a duplicate file on computer tape. These records must be stored in fireproof facilities and secured, so that access to them can be obtained only through special permission.

Decisions involving records management may be based largely on the space limitations which aid offices encounter. Some institutions keep complete files on aid applicants as well as recipients, others rely on index-card files, while still others have specific record rooms solely for borrower files. The management of records at the largest institutions has necessitated the hiring of records managers who are responsible for maintaining student records and ensuring that students and aid office staff have access to the information contained in these files.

4

THE DISTRIBUTION OF FEDERAL STUDENT AID FUNDS

THE ACTORS

The distribution of Federal student financial assistance is accomplished through a rather complex process. Aid dollars must wend their way through a cycle which begins at the Federal Treasury and ends in the student's pocket. In the process, Federal aid funds are administered and allocated by a series of governmental and nongovernmental actors.

Congress

As with all fiscal decisions made on the Federal level, it is the Congress which holds the ultimate authority to allocate funds for student financial aid programs. The authorizing legislation for student financial aid programs (under Title IV of the Education Amendments of 1972) must make its way through the respective policy and appropriations subcommittee and committee hearings and mark-up sessions of the House of Representatives and the Senate; be approved by both Houses of Congress; and be signed into law by the President. This legislation will, among other things, set forth the funding ceilings for the Basic Grant and Campus Based Programs; program parameters for the Guaranteed Student Loan Program; set out the guidelines for determining recipient eligibility; and declare the minimum and maximum awards which an individual student may recieve. Once the financial aid appropriations bill is signed into law, the funds authorized become the responsiblity of USOE (now the Department of Education).

USOE

The Office of Education is responsible for distributing the appropriated student aid funds to institutions--in the case of Campus Based funds; to students--in the case of Basic Grant monies; and to banks and other lenders--in the case of Guaranteed Student Loan (GSL) subsidies. As will be considered in greater detail in Section IV of this report, Basic Grant processing and awarding are conducted through a system controlled by USOE. In the majority of cases, institutions assume the responsibility for distributing BEOG checks to students, while at schools which belong to the Alternate Disbursal System (ADS), students receive their payment directly from USOE. Guaranteed Student Loan Interest Subsidies and special interest payments are made by USOE in response to requests made directly by lending institutions.

In general, the formula for distributing Campus Based aid funds involves breaking down the total pool of dollars among the states and then dividing the smaller pools among institutions in accordance with their applications for Campus Based funding. The criteria which were used to determine the amount assigned to each state for academic year 1978-79 were based primarily on the number of students attending full time at postsecondary institutions in the specific state.[1/] Using administrative procedures, delineated in Chapter 6 of this report, USOE transmits Federal funds to institutions which must adhere to specific regulations regarding their accounting procedures.

The allocation formula employed to determine institutional funding levels for the Campus Based programs for the year of this study (1978-79) was as follows:

- institutions submitted their applications on Campus Based funding to USOE regional review panels;

[1/] The allocation formulas for each of the Campus Based programs differ slightly and are considered individually.

- these review panels allocated funds in accordance with the institution's need regardless of the allocation to each state for that year;[2] and
- if institutions were displeased with their panel's "Recommended Level of Funding" they could appeal, first through a regional, and then a national, appeals process.

The funding level assigned to each state, which is the hub of the allocation process, is determined by a procedure which is outlined below:

- ninety percent of the funds allocated to states are based on statutory formula;
- the remaining ten percent of the funds are first used to bring all states up to their level of funding in fiscal year 1972;
- any remaining "ten percent" funds are used to bring states funded so far at the lowest percentage of their panel recommended level of funding up to a common minimum percentage level of funding; and
- once the final level of funding for each state is determined, each institution's share of the recommended level of funding determines each institution's share of the final state allocation.

Currently, USOE is utilizing a slightly modified allocation system. This new formula for distributing Campus Based funds has been developed in an attempt to ensure that institutions whose students are the neediest receive enough Campus Based aid to meet this need adequately. This system differs from its predecessor primarily in its increased reliance on need and decreased emphasis on full-time enrollment as the determinant of institutional funding levels. This change was prompted by a perception that the reliance on enrollment criteria was not properly addressing the intent of the Federal aid programs. The remainder of this outline concerns only Campus Based funds--BEOG and GSL responsibilities are not, in the aggregate, concentrated at the institutional level.

---

[2] This includes the District of Columbia and Puerto Rico; the Trust Territories are allocated two percent of the original pool of monies.

Institutions

Participating institutions of postsecondary education play the role of go-between in the aid distribution process; they are the "brokers" of Campus Based aid monies. Through their annual applications to USOE, institutions attempt to get the maximum level of Campus Based funding for their schools. Institutions are required to provide accurate, documented information to USOE or they risk being denied the funding which they deserve and/or need. Once funds are approved and disbursed to the school, the institution must assume the role of caretaker for these public monies (working within a set of guidelines described in Chapter 6). Having fulfilled the task of acquring aid funds, institutions then must devote their energies to providing financial assistance to their students. As will be outlined in greater detail in Sections IV and V of this report, institutions also assume the role of a provider of consumer services. In this regard, the responsibilities assigned to institutions include:

- disseminating information on aid programs to prospective aid recipients and their families;
- assessing students' eligiblity and degree of need;
- combining aid sources to meet the needs of the students;
- providing counseling for aid recipients and nonrecipients;
- identifying College Work-Study jobs;
- collecting NDSL loans; and
- coordinating the disbursement of aid directly to the student.

Students/Consumers

Only after Federal financial aid has wended its way through the governmental and institutional bureaucracies does it finally reach its intended target--the student.

Students and their families have the obligation to digest the vast amount of financial aid information which is put before them and to use that information to make intelligent choices regarding the actual cost of attendance at various schools. Students and family members are, indeed, the consumers of all of the institutionally provided services which are itemized above. Their role in the aid process is linked intrinsically with the nature of their specific institution and the practices which it employs.

CONSISTENCY OF PRACTICES

The universe of Federal student assistance programs is far from a stable one. The number of potential influencing forces (e.g., financial aid officers, students, taxpayers) on the aid allocation and distribution process produces a system which is in constant flux. There is, therefore, a growing concern that as a result of this lack of a consistent approach to the provisions of financial assistance, there may be a dilution of its intended benefits.

Congressional Appropriations

Perhaps, the arena most prone to foster inconsistencies is the Congressional appropriations process. There is no need now to go into a detailed discussion of the governmental and special interest pressures which are exerted daily on Capitol Hill. Suffice it to say that each year the legislators, who make the decisions regarding the funding of Federal aid programs, must engage in an annual debate which determines the size and scope of the Federal financial aid programs. In a recent example, the Congress effected a fundamental alteration in the general perception of who the "targets" of student financial assistance were intended to be. The passage of the Middle Income Student Assistance Act was the outgrowth of a Congressionally perceived "national mood" of unrest among those from middle income circumstances. The result has been expansion of Federal financial assistance to meet the needs of students and families who, it has been contended, have traditionally been excluded from public assistance programs. Current legislative issues surrounding the reauthorization of the Higher Education Act, coupled with a growing sentiment to reduce the overall level of Federal spending, could potentially alter or reverse this newly adopted policy. The types of changes in Congressional thinking which occur in student financial aid policies can also be noted in a many other areas of decision-making which are considered annually by the House and Senate.

Regulations

It is through the regulations published in the Federal Register that the financial aid community is kept apprised of the current "letter of the law" regarding the administration of the Federal student aid programs. Regulations represent the "official" interpretation of the laws as passed by the Congress. USOE and the Bureau of Student Financial Aid publish regulations regarding Title IV programs in reaction to changes which are made in the Education Amendments, as well as to reflect clarifications in the Bureau's policies towards specific aid areas. The need for USOE to continually refine the regulations which it sets forth is prompted by ongoing efforts to properly define the Office's relationship with participating institutions. The crux of this relationship is the degree to which USOE exerts control over the internal operations of aid offices. To cite a recent example, the consumer information requirements represented a major step by the Federal government towards centralizing efforts to mandate the type and quality of services performed by the aid office. Later chapters of this report will address the centralization issue as it relates to student need analysis, campus loan management, and packaging, among other topics. In a very real sense, student financial aid is a new area of policymaking; a system which is still being perfected. As part of their partnership with USOE, institutions must keep abreast of regulatory changes and attempt to adapt to them smoothly.

Institutional Practice

The nature of the Campus Based aid system vests the participating institutions with a great deal of discretion and freedom concerning the delivery of financial aid dollars to students:

> As with many Federally supported programs, there reaches a point in the allocation and administration of student aid funds at which the government relinquishes direct control of funds and passes responsibility to an agent in the private sector. In student aid that process occurs at the same point with each participating school--when

> aid dollars are allocated directly to the instituion. At that point the potential begins for individual approaches to the application of student financial aid.[3]

Each institutional aid office is unique, as compared to other aid offices. There are innumerable local factors which can, and do, influence the character and policies of institutional financial aid offices. For example, the aid office may mirror the person at the helm, as a field interviewer on this study noted:

> The differences between (financial aid) Directors covered all areas of their practice and personalities and were all, in some way, reflected in the policies of their respective financial aid offices.[4]

The lines of decision-making within aid offices may be markedly dissimilar. Some financial aid directors rule with an iron fist, while others may delegate a great deal of authority; still others conform to a variety of degrees of structural rigidity.

The financial aid office is also a part of the overall bureaucratic setup of its respective institution. Rarely, if ever, are aid offices autonomous units; the aid director is answerable to some person in a higher position. This person may be the president, treasurer, dean of students, admissions director, or registrar, among others; depending on the policy of each school. At the smallest schools these lines of authority may be largely informal.[5] In recent years the sizable increases in availaole student aid has produced a trend whereby schools are viewing the management of financial assistance as a student personnel, rather than a business, office function with special needs of its own. Walter North, writing in *Money, Marbles and Chalk*, argues the following:

---

[3] Applied Management Sciences, Site Visit Report (Silver Spring, MD: 1979), pp. A.2, A.3.

[4] Ibid., p. A.3.

[5] At some of the smallest institutions the president may perform the duties of financial aid director.

> The thesis of association of the aid officer with the chief executive officer is rooted in the reality that aid is too important across every area of institutional operation and the aid officer is too fully obligated to all the administrative line segments to be allowed to be caught in a subordinate position where information from him flows through others and is entangled in the conflicts between vice presidents or deans and is secondary to other concerns such a superior may have as a result of other duties.[6]

Many institutions, especially 4-year and larger 2-year colleges, utilize student and/or faculty advisory panels in order to reach certain decisions on financial aid. At some schools these panels play a key role in advocating campus needs regarding services and financial support; other institutions maintain advisory panels seemingly for show, assigning them limited scope and less authority. Again, this is an area where the Federal policymakers have chosen to maintain a *laissez-faire* posture. William Van Dusen, in his *Design for a Model Campus Financial Aid Office*, sums up the *raison d'etre* behind advisory panels when he states, "all parts of the institution should be involved in the development of a policy on Financial Aid."[7]

Individual financial aid offices find themselves in varying positions on the institutional totem pole with regard to operating budget, degree of influence, and autonomy. Issues which will be examined in Section III of this report, such as staffing, salaries, computer utilization, and others vary greatly based on the relationship between the aid office(r) and the institutional leadership (president, dean, board of trustees).

---

[6] R. Keene, *et al.*, *Money, Marbles and Chalk* (Carbondale, Ill.: Southern Illinois University Press, 1975), p. 264.

[7] William Van Dusen, *Design for a Model Campus Financial Aid Office* (New York, N.Y.: College Entrance Examination Board, 1973), p. 34.

Equity at the Consumer Level

The issue of variance in the practices of student financial aid offices does not lend itself to simple, black-and-white analysis. The existence of variance is not altogether good, nor altogether bad. It is not to be interpreted either as a signal that the system needs to be completely overhauled, nor should it be viewed without concern as merely a result of the system's adaptation to local environments. Variance in practice should, however, be viewed in terms of its effects on the consumers of student financial aid services. The concern of Federal policymakers is that students, regardless of their locale of attendance, receive equal treatment when there are equal circumstances of need. If varying practices result in two students of equal need receiving substantially different amounts of assistance (e.g., leaving one with a large amount of unpackaged need) then the system is judged to be providing "inequitable" treatment. The issue of "equity" is the core of any analysis of the consumer view of the delivery of financial aid. In this report, as well as Report Volume II, the term "equity" will be employed as a measure of the uniformity of treatment of students of similar circumstance regardless of the institution which they attend.

SECTION III

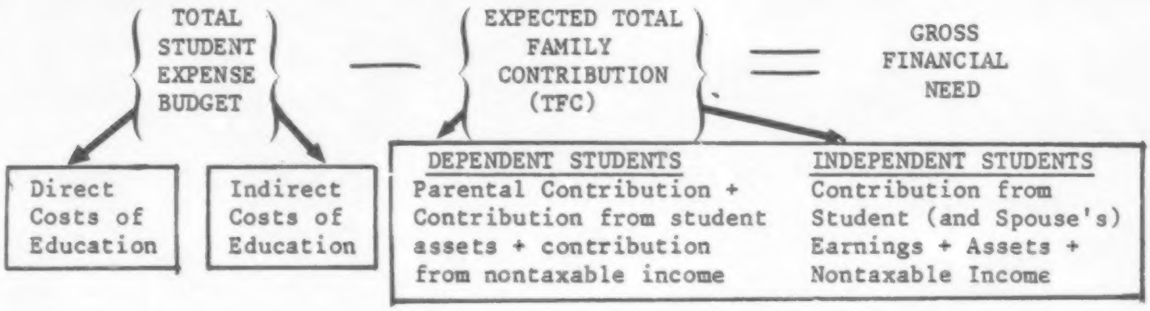
INSTITUTIONAL DESCRIPTIVE RESULTS

PREFACE

Chapters 5 and 6, which comprise Section III of this report, will elaborate on the current structure and condition of institutional financial aid offices. Sections I and II have presented information based on independent research, not from data obtained from the institutions in the study. The remainder of this text will detail the facts and figures which were gathered from the various institutions in the study.

By examining the environment in which decisions regarding student financial aid are made, it is hoped that one can gain insight into the rationale behind the practices employed by aid offices (presented in Sections IV and V). At this time, no attempt will be made to show causal relationships based on the three sets of data in Sections III, IV, and V. Future examination of the data presented may provide a valuable starting point for assessing the impact of individual aid office policies (i.e., personnel, operating budgets, and program participation), on the delivery of financial aid resources and services to the consumers of the student financial aid programs.

EXHIBIT IV.2: DETERMINATION OF NEED


TOTAL STUDENT EXPENSE BUDGET
—
EXPECTED TOTAL FAMILY CONTRIBUTION (TFC)
=
GROSS FINANCIAL NEED
Direct Costs of Education
Indirect Costs of Education
DEPENDENT STUDENTS
Parental Contribution + Contribution from student assets + contribution from nontaxable income
INDEPENDENT STUDENTS
Contribution from Student (and Spouse's) Earnings + Assets + Nontaxable Income

READ: Total student expense budget minus expected total family contribution, equals gross financial need.

In drawing together the elements highlighted in Exhibit IV.1, the local aid officer attempts to balance all of the countervailing factors in the aid process and realize the intended purpose of student aid--elimination of the financial barriers to postsecondary education. The Keppel Task Force Report had this to say on the subject:

> One of the points at which the other inequities of the present student aid system can be corrected is where the institutional student aid administrator pulls all of the resources together into a package based on the goal of maximizing educational opportunities for the largest numbers of students. Packaging is the moment of truth when it all comes together, where the broad funnel of aid resources comes to its narrowest point and those resources delivered to the student.[1]

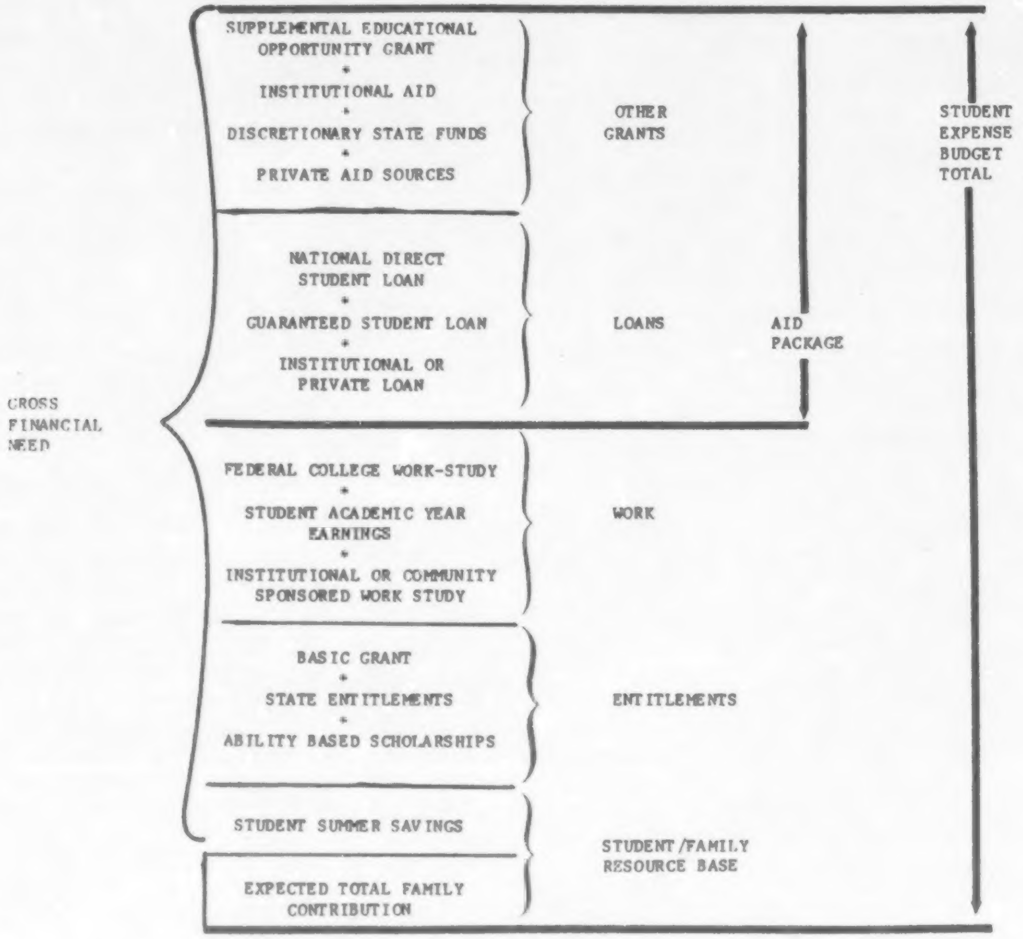
Developing Institutional Practices

Institutions face quite a challenge as they seek to develop and to refine their policies and practices regarding the various aspects of financial aid administration. There is, currently, a great deal of disagreement as to advantages and/or disadvantages of standardizing some

---

[1] Francis Keppel, National Task Force on Student Aid Problems. Final Report, (Brookdale, California: The Task Force, 1975), p. 68.

EXHIBIT IV.1: THE FINANCIAL AID PACKAGE


SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT
+
INSTITUTIONAL AID
+
DISCRETIONARY STATE FUNDS
+
PRIVATE AID SOURCES
OTHER GRANTS
NATIONAL DIRECT STUDENT LOAN
+
GUARANTEED STUDENT LOAN
+
INSTITUTIONAL OR PRIVATE LOAN
LOANS
AID PACKAGE
STUDENT EXPENSE BUDGET TOTAL
GROSS FINANCIAL NEED
FEDERAL COLLEGE WORK-STUDY
+
STUDENT ACADEMIC YEAR EARNINGS
+
INSTITUTIONAL OR COMMUNITY SPONSORED WORK STUDY
WORK
BASIC GRANT
+
STATE ENTITLEMENTS
+
ABILITY BASED SCHOLARSHIPS
ENTITLEMENTS
STUDENT SUMMER SAVINGS
EXPECTED TOTAL FAMILY CONTRIBUTION
STUDENT/FAMILY RESOURCE BASE

intent of creating a system which relies so heavily on the local aid office was to promote equitable treatment of students through an evaluation of their individual financial situations.

A General Model Of Aid Packaging

In order to determine what will be referred to here as the "gross financial need" of an individual student, the financial aid officer must identify two specific dollar amounts (see Exhibit IV.1). The first, "total student expense budget," represents the total cost of a student's education at a particular institution. This includes the direct costs of attendance--tuition, fees, books--as well as those expenses which are indirectly related to the pursuit of a postsecondary education--room, board, transportation, and various personal maintenance expenditures. The second dollar figure is the "expected total family contribution" (EFC). Loosely defined, the expected total family contribution is the amount of money which a student's family (including the student) can be expected to contribute to the total cost of that student's education for one academic year. This includes exacting specific dollar amounts from certain categories of family resources including: the previous year's income (taxable and nontaxable); home, business, farm, and/or other investment equities; spouse's earnings; student savings; and family savings. The amount which a family is expected to contribute is computed after allowing for individual family considerations such as the size of the household, the nature of the income, and the number of household members enrolled in postsecondary education, among others.

As illustrated in Exhibit IV.2, by subtracting the EFC from the expense budget, one arrives at the figure for the "gross financial need" of an individual student. In attempting to design an aid package which effectively meets this need, the financial aid officer must draw upon the financial resources which are available to that particular institution and the resources of the individual student. The options available to that aid officer and the student will, to some degree, be a function of the institution's geographic location, size, academic programs, participation in the Campus Based Programs, and other characteristics.

SECTION IV

NEED ANALYSIS, BUDGETING AND PACKAGING

PREFACE

As part of the process of distributing student financial aid, the individual institutions of postsecondary education have been assigned some of the most crucial tasks: the determination of the degree of student need (Chapter 7), the establishment of the components and magnitude of student expense budgets (Chapter 8), and the combination of the various available resources of student financial assistance into individual aid "packages" (Chapter 9). Although these tasks appear to be separate items, they are, in fact, highly interrelated.

Perhaps the most integral term in the field of student financial assistance is need. The Federal government has, through legislation, recognized that each student's need for financial assistance is unique to his/her individual circumstance. The current system of distributing Campus Based aid funds has been built on this premise. As opposed to the centralized system which governs the distribution of Basic Educational Opportunity Grants (BEOGs), the Campus Based programs shift the responsibility to the local financial aid office which must assess, evaluate, and package assistance to meet students' needs. While the Basic Grant program has been designed to offset the core costs of a student's postsecondary education, the Campus Based aid programs are aimed at meeting the direct and indirect fiscal demands of that education. The

Several schools noted that they were unaware of the letter of credit procedure. Others reported that they preferred direct monthly billing.

Table 6.10 illustrates that only among 4-year private schools is the letter of credit system a less-than-majority option. This may be due to the small size of some of these institutions which places them below the minimum $250,000 level.

SUMMARY

Institutional participation in the Campus Based aid programs is highest at four year institutions and two year private colleges. Proprietary schools reportedly have the lowest participant rate. A lack of student need and limited administrative resources are the two most common reasons given for not participating in Campus Based programs. When applying for Campus Based funds, financial aid officers are relied upon for supplying the greatest portion of data required on the FISAP. Other administrative officers, such as the business offices, also play a significant role. The high costs associated with FISAP completion reflect the importance given to the proper and timely completion of this form. After submission of the FISAP, most institutions await notification of funding levels prior to awarding aid, although some institutions award funds based on estimates on the previous year's award level. Once the funding level has been determined, the letter of credit system is used by the majority of schools to transfer funds from governmental to institutional accounts.

The majority of institutions adopt a cautious approach and wait for notification before awarding Campus Based aid funds. Among all institutions, 23 percent package aid according to an award estimate, while a slightly smaller group of schools, 22 percent, package aid up to the previous year's level. Six percent of the schools make awards on a provisional basis. In these cases, award letters are issued with a disclaimer notifying the student that his/her award may be adjusted later. A small percentage of schools, 4.7 percent, reserve and package funds for a certain group of students only. These include very needy students or freshmen.

Use of Letter of Credit

The letter of credit is by far the most widely used method by which intitutions obtain their Campus Based funds from USOE. By means of this system, an institution passes payment vouchers through a local bank for processing by a Federal Reserve Bank for deposit of cash in the school's local bank account. As noted in Table 6.10, more than half (61%) of the institutions surveyed utilize the letter of credit system.

TABLE 6.10: PERCENT OF INSTITUTIONS USING LETTER OF CREDIT, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79

	ALL SCHOOLS	Institutional Level and Control				
		4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Institutions using letter of credit	61.4	85.1	18.9	63.3	70.0	72.4
Institutions Reporting:	153	47	37	30	10	29

Source: Institutional Site Visit Survey.

In order to utilize the letter of credit system, an institution's program cost must equal or exceed $250,000. Half of the 39 percent of the schools that do not use the system report that they are ineligible because they do not meet this requirement. Another 9 percent are awaiting approval for the use of the procedure at their institutions.

Many schools also reported direct costs for consultants and for computer use. Overall, these averages were small: $92 for consultants and $112 for computers. Again, the range of costs was wide. Consultant costs were as low as $200 and as high as $5,000. The data processing charges also encompassed a wide range, from $50 to $7,200.

It is interesting to note that of the eight institutions utilizing consultants, seven were proprietary schools. The remaining institution was a 2-year public college. The heavy concentration of consultants within the proprietary sector is most likely needed to broaden existing personnel resources.

Notification of Institutional Award Levels

During the institutional awarding process, a time lag exists between the date when a school submits its request for funding and when it is officially notified of its award levels. Typically, many schools must begin their aid packaging activities before they know the exact dollar amounts which they will be able to award. Procedures used by institutions to deal with this circumstance are outlined in Table 6.9.

TABLE 6.9: PERCENT OF INSTITUTIONS EMPLOYING VARIOUS PROCEDURES TO PACKAGE FINANCIAL AID WHILE AWAITING USOE NOTIFICATION, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79

	ALL SCHOOLS	Institutional Level and Control				
		4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Wait for notification	55.7	49.0	62.9	53.3	66.7	57.7
Use of previous year's level	22.1	28.6	14.3	26.7	33.3	11.5
Use estimate	23.5	20.4	22.9	33.3	0.0	26.7
Make awards on a provisional basis	6.0	4.1	5.7	6.7	0.0	11.5
Awards made to certain applicants only	4.7	8.2	0.0	6.7	0.0	3.8
Institutions Reporting:	149	49	35	30	9	26

Source: Institutional Site Visit Survey.

TABLE 6.8: AVERAGE COSTS OF FISAP PREPARATION, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79

	ALL SCHOOLS	Institutional Level and Control				
		4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Professional Salaries	$2,285	$4,448	$1,412	$1,513	$1,200	$1,342
Secretarial Salaries	678	1,335	323	620	193	381
Consultant Fees	92	0	0	12	0	589
Computer Costs	112	121	215	51	56	0
Total Cost	$3,168	$5,905	$3,363	$2,197	$1,449	$2,313
Institutions Reporting:	152	44	46	28	10	24

Source: Institutional Site Visit Survey.

On the average, the direct labor costs associated with the completion of the FISAP were $2,285 for professional salaries and $678 for secretarial salaries. The range of professional salaries was very wide, from a low of $40 to a high of $67,512. The latter figure may be plausible for a very large school using the most sophisticated techniques to support its funding request, such as multiple projections of expected awards under varying application assumptions. The cost of secretarial help associated with the FISAP preparation ranged from $3 to $8,187.

There are significant variations in both professional and secretarial FISAP costs among different institutional types. Four-year public colleges and universities have the highest costs for both personnel categories, while the private (but not proprietary) schools have the lowest. This may be a result of the enrollment variations in these schoools. Since public institutions have, on the average, larger enrollment sizes than do private schools (see Table 5.1), more staff hours are most likely required to collect and to analyze the larger set of student aid data.

TABLE 6.6: PERCENT OF INSTITUTIONAL OFFICES WHICH PROVIDE INFORMATION REQUIRED ON FISAP: ACADEMIC YEAR 1978-79[1]

	Information Required						
Institutional Office	Enrollment Size	Student Eligibility by Income Level	Amount of Funds Needed For Each Program	Total Institutional Awards	Total State Awards	Total BEOG Awards	Revenues Received for Tuition and Fees
Business	0	2	15	53	41	43	99
Financial Aid	8	97	85	53	54	60	0
Admissions and/or Registrar	91	3	0	0	0	0	0
Other	5	0	6	4	5	0	1
Institutions Reporting	102	39	33	105	65	67	116

Source: Institutional Site Visit Survey.

[1] Percentages read from top to bottom. Because of multiple response potential, column percents may total more than 100 percent.

TABLE 6.7: PERCENT OF INSTITUTIONS USING SELECTED PROCEDURES TO CALCULATE INFORMATION REQUIRED ON FISAP: ACADEMIC YEAR 1978-79[1]

	Information Required						
	Enrollment Size	Student Eligibility by Income Level	Amount of Funds Needed For Each Program	Total Institutional Awards	Total State Awards	Total BEOG Awards	Revenues Received For Tuition and Fees
Calculated with Historical and Current Data	79	94	4	100	85	99	89
Projections Made From Available Data	23	8	96	0	15	1	11
Institutions Reporting	43	101	101	41	61	77	28

Source: Institutional Site Visit Survey.

[1] Percentages are column percentages and may total more than 100 percent because of multiple responses.

or all of the following areas: enrollment size; student eligibility by income level; amount of funds needed for each Campus Based program; total institutional grant awards; total state grant awards; total BEOG awards; and revenues received for tuition and fees. The percentage of institutional offices which supply information in each of these areas is presented in Table 6.6.

As could be expected, the financial aid office is, in most instances, the primary supplier of data for the FISAP. When determining the total amount of institutional aid awarded, a somewhat higher percentage of schools report that this was a responsibility of the business office rather than the financial aid office. The staff and resources of the Admissions and/or Registrar's office are used primarily to provide information on enrollment size. In terms of FISAP completion, business office personnel are used nearly exclusively in the acquisition of information related to the revenus received from tuition and fees. The "other" institutional sources from which information was obtained include: Board of Trustees, Development Office, and Academic Dean.

Institutions report that FISAP data are most commonly calculated in one of two methods. As presented in Table 6.7, institutions may calculate the required figures with historical and current data or else make projections based upon available data. The former method is most commonly used in calculating nearly all data required, except in the determination of the amount of funds needed. In this instance, almost all institutions use the projection technique. A notable number of institutions also use the projection method in the determination of institutional enrollment size. This is a plausible procedure for very large institutions. Or it may be used at schools where enrollment sizes frequently fluctuate, as is often the case at institutions operating on a quarter-semester system.

Costs of FISAP Preparation

As discussed previously, the preparation of the FISAP presents a burden on institutions in terms of staff management and resource allocation. Table 6.8 details the costs associated with FISAP preparation.

Appropriately, other institutions offer various reasons as to why they did not provide additional information for Part B funding. These reasons are presented in Table 6.5, by institutional level and control.

TABLE 6.5: PERCENT OF INSTITUTIONS REPORTING VARIOUS REASONS FOR NOT PROVIDING ADDITIONAL INFORMATION FOR PART B FUNDING, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79

	ALL SCHOOLS	Institutional Level and Control				
		4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
No need	61.5	66.7	72.7	37.5	NR[1]	62.5
Too much work	33.3	41.7	9.1	50.0	NR[1]	37.5
Miscellaneous	15.4	8.3	27.3	25.0	NR[1]	0.0
Institutions Reporting:	39	12	11	8	NR[1]	8

Source: Institutional Site Visit Survey.

[1] NR = No response

Over half (61.5%) of the schools that did not provide additional information for Part B funding simply felt that they did not need the money. "We have sufficient funds under Part A," one said. "We haven't used all the funds in the past," reported another. One-third of the institutions (33.3%) reported that completion of Part B involved too much work. Miscellaneous reasons for not completing Part B were provided by 15.4 percent of the institutions. These included: "form not required;" "school had nothing to gain by completing the form;" and "applied in past and were turned down."

Sources of FISAP Data

The task of completing the FISAP generally involves not only the financial aid staff but other administrative departments as well. Most often, these included the Business, Admissions, and Registrar's offices. These administrative departments reportedly provide information in some

To probe the reasoning behind decisions to request or not to request the extra (Part B) funding, schools were asked to provide information as to the bases for their choices. Table 6.4 presents the reasons given, by institutional level and control, for providing information requested on the Part B form.

TABLE 6.4: PERCENT OF INSTITUTIONS REPORTING VARIOUS REASONS FOR PROVIDING ADDITIONAL INFORMATION FOR PART B FUNDING, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79[1]

	ALL SCHOOLS	Institutional Level and Control				
		4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
More funds needed	65.0	68.8	56.5	78.9	57.1	57.9
Want to maximize allocation	37.0	49.2	39.9	31.6	57.2	52.7
Information easily accessible	8.0	9.4	13.0	10.5	0.0	0.0
Miscellaneous	3.0	0.0	8.7	0.0	0.0	0.0
Institutions Reporting:	100	32	23	19	7	19

Source: Institutional Site Visit Survey.

[1] Because of multiple response potential, column percents will total more than 100.

From the results presented in Table 6.4, it can be seen that the most common impetus for seeking Part B funding was to fulfill the need for more Campus Based funds. The desire to maximize their allocation size was noted by 37 percent of the institutions, while 8 percent completed Part B because the information was easily accessible. There were also a few miscellaneous rationales mentioned. For example, one school provided the Part B data because, as a new participant, it was required to do so. Another institution completed the section because it was the first time it had "applied on the basis of fact rather than grantsmanship."

As could be expected, the most frequently cited reasons for nonparticipation were "lack of administrative resources" and "no need." Other commonly mentioned reasons include: "not familiar with program;" "compliance too difficult;" "participation under consideration;" and "object on principle."

It is interesting to note that of the 12 institutions which reported that nonparticipation in the CWS program was due either to "lack of administrative resources" or "compliance too difficult," the majority were proprietary institutions. This is most likely a result of the Federal regulation which requires that CWS students from proprietary institutions be employed in off-campus settings. The administrative resources needed to assist in or to perform this task may be too great to legitimize participation from the institution's standpoint.

Although this study includes schools that are relative newcomers to these programs, most institutions have a considerable amount of experience with Federal student assistance. The average NDSL institutional participant, for example, has made use of this loan program for almost 15 years. Comparable figures for CWS, SEOG, and BEOG are 11, 10, and 6 years, respectively. Below, Table 6.3 presents the length of program participation by institutional level and control.

TABLE 6.3: AVERAGE NUMBER OF YEARS INSTITUTIONS PARTICIPATE IN FEDERAL AID PROGRAMS, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79

	ALL SCHOOLS	Institutional Level and Control				
		4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
BEOG	5.7	5.8	6.0	5.6	5.7	5.2
SEOG	10.0	11.8	11.2	8.7	8.4	4.4
NDSL	14.8	17.4	16.7	11.9	10.8	5.5
CWS	11.4	12.6	12.1	10.2	8.3	6.2
Institutions Reporting:	172	50	51	31	10	30

Source: Institutional Site Visit Survey.

TABLE 6.1: PERCENT OF INSTITUTIONS PARTICIPATING IN FEDERAL STUDENT AID PROGRAMS BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79

	ALL SCHOOLS	Institutional Level and Control				
		4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
BEOG	100	100	100	100	100	100
SEOG	86	100	98	74	90	67
NDSL	82	100	96	62	80	53
CWS	82	100	98	87	90	20
Institutions Reporting:	172	50	51	31	10	30

Source: Institutional Site Visit Survey.

TABLE 6.2: REASONS INSTITUTIONS OFFER FOR NONPARTICIPATION IN CAMPUS BASED PROGRAMS: ACADEMIC YEAR 1978-79

	Number of Institutions	Reason For Nonparticipation
SEOG	5	no need
	4	lack administrative resources
	3	miscellaneous (object on principle, institution not accredited)
	2	not familiar with program
NDSL	12	lack administrative resources, especially for loan collection
	10	no need
	3	miscellaneous (object on principle, not accredited, would burden students)
CWS	7	compliance too difficult
	5	lack administrative resources
	4	no need
	4	participation under consideration
	4	miscellaneous (object on principle, students have no time to work, cannot acquire matching funds)
Institutions Reporting:	39	

Source: Institutional Site Visit Survey.

disposal, aid offices may spend varying amounts of time in preparing the FISAP. Experienced aid officers have developed expertise in the techniques which may result in the attainment of a school's maximum award levels. A contemporary form of "grantsmanship" is currently being employed at many institutions to ensure that their schools are allotted their fair share of Campus Based funds.

The use of USOE mandated audits has also been a point of controversy among financial aid officers. Beginning with the 1976-77 program year, USOE has required that audits of financial aid offices be conducted by non-Federal auditors at least once every two years. USOE contends that the necessities for Federal oversight of public monies demands that audits be conducted in order to "monitor the fiscal integrity of an institution's transactions and reports, and whether such actions are in compliance with applicable laws and regulations."[1]

RESULTS

Program Participation

Of the 172 schools surveyed in this study, all but 15 participate in one or more of the Campus Based student aid programs. All 172 institutions participate in BEOG. Table 6.1 presents the rate of BEOG and Campus Based participation for the five standard institutional types.

The participation percentages are highest at 4-year institutions and 2-year private colleges, while 2-year public schools are more apt to have a somewhat lower participation rate. The lowest rates are seen at proprietary institutions which may be a result of administrative limitations and/or the institution's determination not to seek program eligibility.

For those institutions that do not participate in one or more of the Campus Based Programs, some common explanations were apparent. These are presented in Table 6.2.

---

[1] Applied Management Sciences, Stage I Final Report Volume I (Silver Spring, Md. 1978), p. B.5.

to the students. This design is known as the Alternative Disbursement System (ADS). Through the ADS method, institutions furnish USOE with data on educational costs only and agree to help monitor awards for continued appropriateness.

THE ISSUES

All of the schools surveyed in this study are participants in the BEOG program, and most schools participated in the Campus Based programs. For those that did not participate, two common reasons were cited. The first is related to a lack of student need observed at some institutions which negates the need for seeking additional aid sources. A second reason is associated with the excessive amount of record keeping, staff hours, and general administrative activity required of program participation. USOE mandates that completion of the FISAP, quarterly BEOG progress reports, and annual student validation roster be performed in order to receive funding. Although a time-consuming task for the institutions, the proper completion of these forms allows the Federal government to keep a watch over the more than $5 billion dollars spent annually on Federal student aid programs. This is an example of USOE exercising its responsibility to maintain a tight rein on taxpayers' money.

To help relieve institutions of some of the financial burdens associated with application and reporting activities, the Higher Education Amendments of 1976 authorized a $10 per student administrative payment for each BEOG and GSL recipient. Yet, to date, no such payments have been made to any eligible institutions. To many institutions, this represents a failure on the part of USOE and the Congress to recognize the burdens which they are placing on the schools.

Because of the financial effect of the Campus Based programs on the institution and its students, most financial aid officers consider the proper and timely completion of the FISAP to be one of the most important tasks undertaken during the calendar year. The complexities of the application process require the skilled hand of an aid professional to guarantee its proper completion. Depending on the resources at their conducting internal audits are provided by the U.S. General Accounting Office. More specifics on auditing procedures are enumerated in the Stage I Final Report of this study.

Allocation of Funds to the Institution

As outlined in Chapter 4, a school's level of Campus Based funding is determined through a formula process conducted by USOE. Once the FISAP is reviewed by the Office of Education, allocation levels are announced. Although these funding levels are based primarily upon projected student need, other factors are taken into account. For example, a review of the institution's past performance in administering Federal aid programs is made. Institutional methods of determining student need and the amount of surplus aid retained by the institution from the previous fiscal year are also considered.

Once the allocation level for an institution has been determined, there are two ways that Campus Based funds can be transferred from the Federal government to the institution. One is through the letter of credit system. Under this method, the institution submits payment vouchers through its local commercial bank to a Federal Reserve Bank in exchange for deposit of cash into the institution's local bank account. The letter of credit system is available only to institutions with annual programs in excess of $250,000. For those institutions which do not qualify or otherwise opt for this system, a second method, the cash request system is used. Under this design, the institution files a report each month with USOE which forecasts its cash needs in all the Campus Based programs for the next month. Upon receipt and review of this report, the Departmental Federal Assistance Financing System issues a check to the institution.

The flow of Basic Grant funds is more easily controlled by USOE since it maintains rosters of BEOG applicants for each institution. School officials may elect to distribute BEOG funds themselves, by requesting that these monies be sent directly to the institution by the government. This procedure is known as the Regular Disbursement System (RDS). Using another method, institutions may ask USOE to make the payments directly

111

accuracy in application completion. Increasingly, many institutions are developing sophisticated record-keeping systems, including the use of computer technologies.

Audits and Program Reviews

The Audit Agency of the Department of Health, Education, and Welfare is responsible for the coordination of all audits, whether conducted by Federal or non-Federal personnel. The purpose of audits of institutional financial aid offices initiated by USOE is to ascertain whether student financial aid programs are administered in accordance with applicable laws, regulations, terms of agreement, and USOE directives. They also investigate the appropriateness of the accounting and record-keeping systems in use, the treatment of known problem areas, and the effectiveness of financial aid staff members. Audit reports contain descriptive summaries of the practices of the aid offices as well as evaluative essays on areas where improvements would increase the efficiency of the aid office operation.

The primary vehicle used to ensure that financial aid programs are in compliance with all Federal regulations is the Program Review. These reviews are conducted under the direction of the Division of Certification and Program Review (DCPR) of USOE. Generally, a Program Review will place more emphasis on verifying an institution's compliance with Federal guidelines while an audit devotes more attention to the proper control and accounting of funds.

At their own discretion, or when specifically requested by USOE, an institution may undertake an audit of its aid office. These internal audits, conducted by independently contracted certified auditors or by "impartial" institutional personnel, provide governing boards and institutional administrators with an opportunity to determine whether their financial aid policies and practices are in keeping with the overall philosophies and missions of the institution. It also affords financial aid officers the chance to step back and evaluate the effectiveness of their operation. From this perspective, problems can better be spotted, and corrective solutions applied. Guidelines for

6

INSTITUTIONS AND THE FEDERAL GOVERNMENT

INTRODUCTION

Applications and Reports

Each year, generally during the month of October, institutions submit their requests for Campus Based funding to USOE for the upcoming academic year. To do this, schools must complete the FISAP, which combines the application for funds with the fiscal operations report of the previous year. In years prior to 1978, institutions were required to complete a separate funding application in addition to the Fiscal Operations Report (FISOP). A detailed description of program funding was included in the *Stage I Final Report* of this study.

Because the BEOG program is an entitlement program controlled directly by USOE, a formal application for funding is not required by institutions. But, as is the case with the Campus Based programs, schools receiving BEOG dollars must be certified as eligible by the Division of Eligibility and Agency Evaluation of the U.S. Office of Education. Additionally, these schools must file quarterly reports to the Departmental Federal Assistance Financing System (DFAFS) detailing the expenditures of BEOG funds at their institutions. The *Stage I Final Report* also describes the DFAFS system in detail.

To accomplish the task of compiling the data necessary for the fulfillment of application and reporting requirements, an effective system of record keeping and accounting must be continually maintained by financial aid managers. Such a system results in greater ease and preparation for major work periods such as registrations, assistance in the work of other institutional sectors (i.e., admissions and academic scheduling), and keeping up with developments in aid procedures and legislation.

The last of the four groups contains "All Other Activities" and accounts for just over 10 percent of all aid office activities. Most of the items included in this category are designed to provide general backup and support for activities included in the other three categories. For example, the most frequently cited activity in this group is the validation of application data and the monitoring of aid recipients to ensure that they are maintaining satisfactory academic records; a routine activity for most schools. At the same time, the NDSL program requires extensive counseling, the staff must receive periodic training, and the basic planning and procedural reviews (e.g., calculation of the overall need for student assistance, review of aid packaging procedures, review of student budget figures) must take place on a regular basis.

At the same time, most institutions have a variety of other reporting requirements, such as annual state program applications which are analogous to the FISAP; annual internal reports on financial aid office operations; regular self-audits, self-evaluations, and program reviews; and reports requested by other Federal agencies, such as Office of Civil Rights, reports on grants from the National Institutes of Health, and the annual Higher Education General Information Survey (HEGIS) conducted by the National Center for Educational Statistics.

The record keeping activities included in this third group consist of many standard activities sometimes handled by business offices but always requiring major inputs, at minimum, from the aid personnel and files, such as updating individual student files, correcting records for changes occasioned by withdrawals or dropouts, balancing student books against ledgers for particular types of assistance (like NDSL or SEOG), and all aspects of the auditing process. Other record-keeping activities are necessitated by the responsibilities associated with specific aid programs. For example, CWS (or other forms of work-study, whether Federally supported or not) requires the development of student jobs, the referral and placement of prospective workers, monitoring of work performance, and possibly a formal evaluation of the experience. All of this, in turn, requires accounting for the maintenance of any payroll, time records, paychecks, and witholding forms for tax purposes. As another example, NDSL (as well as other institutionally based loan programs) requires an extensive loan record keeping, billing, and collection operation. Other loan-related activities may include notification of the current student status for each GSL lender, and making and servicing loans from a school's emergency fund (not systematically covered in this study, but most schools of any size have small loan funds that can be used by students to cover short-term, unforeseen needs).

Finally, with respect to this third group of activities, all aid offices require a minimum of general management and housekeeping. This may include compilation of the budget for the aid office itself,

TABLE 5.A: COUNTS OF ACTIVITIES REPORTED BY SAMPLE SCHOOLS BY MONTH REPORTED: ACADEMIC YEAR 1978-79 (continued)

Activity Description	Annual Frequency	MONTHS											
		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Reporting and Record-Keeping Activities (Continued)													
Institutional reports/internal research/self-audits, evaluations, program review/student survey	22	1	3	2	1	1	1	3	1	2	3	3	1
General management and planning, aid office budgets/review legislative changes/prepare for Summer School/prepare for registration/prescheduling/OCR, NIH fund reports/HEGIS reports/staff retreat	61	1	-	4	-	5	2	26	9	1	2	5	6
Other loan processing/report student status to GSL lenders/counsel for college loan fund recipients/process emergency loan fund delinquent list/etc.	58	3	2	5	4	3	4	9	8	7	5	6	2
FISAP preparation, submission, replies, appeal preparation, appeals, etc.	130	2	1	3	1	3	6	15	16	31	44	5	3
Accounting/update records/reconcile accounts/prepare ledgers/audits/put data on computer	70	3	2	3	4	5	13	14	13	4	3	3	3
CWS/other student employment: job development/placement/monitoring/time sheets/payrolls/W-2s	69	8	4	7	7	5	3	11	5	4	5	5	5
NDSL billing/collection/coordination with billing agencies/default reports	25	4	2	2	2	1	3	2	2	3	1	1	2
All Other Activities	229	25	26	16	28	23	17	11	7	15	25	12	24
Institutional budgeting/project needs/project enrollment income/survey available funds/etc.	28	5	2	1	6	3	4	-	-	-	-	2	5
Develop packaging rules, guidelines/student budgets/aid calendars/aid procedures/priorities	29	3	11	4	3	1	2	-	-	-	1	3	1
Monitoring and Validation: review academic standing of recipients/verify enrollment/process aid transcripts/request IRS 1040s for upperclass students/review course loads	81	13	6	5	7	5	7	7	3	7	9	4	8
Solicit outside aid donors/report and coordinate with outside aid donors/handle CETA training payments/make LEEP supplemental fund request	27	3	2	1	1	2	3	2	2	2	5	3	1
NDSL counsel, entrance interviews, and exit interviews	33	-	2	3	7	12	-	-	2	1	1	-	5
Attend financial aid conferences/training sessions/professional meetings.	31	1	3	2	4	-	1	2	-	5	9	-	4

Source: Institutional Site Visit Survey.

TABLE 5.A: COUNTS OF ACTIVITIES REPORTED BY SAMPLE SCHOOLS BY MONTH REPORTED: ACADEMIC YEAR 1978-79 [1]

Activity Description	Annual Frequency	MONTHS											
		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
All Activities	2,172	193	189	188	197	212	186	213	168	180	166	129	151
Application and Outreach Activities	606	86	87	67	56	50	34	29	27	32	35	49	54
Update/revise aid materials, literature, and application forms	33	3	2	2	1	2	2	2	1	2	2	9	5
Distribute materials and literature to new students; for continuing students; for others	64	12	12	4	6	2	1	-	1	3	2	5	16
Advertise aid/conduct workshops and seminars/ outreach for needy students/transfer student orientation	48	9	10	5	1	-	-	1	1	2	5	8	6
General counseling/aid interviews	60	8	5	4	3	3	4	5	4	10	5	3	6
Process applications for freshmen, Summer, CWS, loans (including GSL); late applications (in May, October, November); compile application statistics	401	54	58	52	45	43	27	21	20	15	21	24	21
Packaging and Awarding Activities	886	58	59	78	93	115	102	92	79	79	42	39	50
Aid packaging, including aid for Summer session recipients	155	10	11	18	23	24	19	15	13	4	3	9	6
Award determination for freshmen, Summer, CWS, Campus Based, transfers, merit, institutional aid	470	16	32	45	61	71	61	46	34	35	20	22	27
Award revisions/adjustment of Basic Grants	112	9	10	7	7	8	8	12	9	16	10	7	9
Award letters/mail awards (for Spring, Summer, Fall)	35	2	1	3	1	9	6	10	3	-	-	-	-
Disburse funds for Spring, Summer, Fall	99	20	5	5	1	3	5	5	18	20	8	1	8
Late awards/award appeals/late BEOGs/needs analysis changes/reallocate funds from no-shows	15	1	-	-	-	-	3	4	2	4	1	-	-
Reporting and Record-Keeping Activities	451	24	17	27	20	24	33	81	55	54	64	29	23
State reports/certifications/program applications	16	2	3	1	1	1	1	1	1	2	1	1	1

---

[1] Numbers are total references to specific work tasks mentioned by a group of 85 institutions providing monthly financial aid office schedules. In addition, 21 schools were not on traditional academic calendars and were inapplicable; 31 schools said there was no organized calendar of activities or gave only very general responses; and 35 schools did not respond at all. Furthermore, not all 85 schools had comments on every month; the number of nonrespondents by month is January, 30; February, 32; March, 28; April, 25; May, 24; June, 28; July, 26; August, 40; September, 35; October, 40; November, 44; and December, 44.

and interviewing; and the basic processing of incoming forms, organizing financial aid folders, assembling all needed data, etc. The last step may require the aid office to obtain a number of documents besides the application. Indeed, institutional application forms are typically supplanted in importance by the detailed financial aid data provided by the applicant to needs analysis service agencies, and then passed on to the school, with the approval of the student, as a report for institutional use.

These materials are, of course, retained in the application aid file, as are a variety of other materials acquired as part of the application process, prior to the initiation of the packaging process. For example, other materials that may be included in the applicant's file are certifications of academic standing, affidavits as to dependency or other issues of status, special application forms for particular kinds of aid, consumer information certificates (e.g., copies of disclosure and truth-in-lending statements, signed by the recipient to certify that their contents are understood), other kinds of loan-related documentation, supporting documents for data submitted in the needs analysis process (such as IRS 1040s, which may be requested to confirm income claims), correspondence, and occasionally transcripts. Of particular significance is the observation that at least some of the schools explicitly plan for the handling of late applications. Although the seasonal ebb and flow of all of these activities is pronounced (see below), some application activity occurs at all times.

Closely related to these activities are those record keeping and reporting activities included in the third activity category, which accounts for over 20 percent of the total activities enumerated. Clearly, the most prominent of these is the preparation and submission of the FISAP report. This is the combined program application and reporting form for participants in the Federal Campus Based aid program. This activity follows a strong seasonal cycle which peaks with the October submission deadline (see below). The imposition of this deadline allows many schools to preschedule their FISAP award review, appeal preparations, and appeal processes.

The detailed activity citations are presented in Table 5.A. They serve to provide an excellent inventory of most of the major work tasks that are carried out in the aid office. The tasks which are most prominent stand out clearly and define the major preoccupations of financial aid specialists, while many of the activities that are mentioned less frequently serve to call attention to a large number of secondary responsibilities and duties which the aid office must also handle. In addition, the detailed data on work activities provide some feeling for seasonality and timing for particular aid tasks, which will be addressed at length below. For convenience of exposition, the detailed tasks of Table 5.A have been grouped into four major classifications: Application and Outreach Activities, Packaging and Awarding Activities, Reporting and Record Keeping Activities, and All Other Activities.

Of these four major activity groupings, Table 5.A shows that over 40 percent fall under the heading of "Packaging and Awarding Activities." The bulk of these responses are concerned with the determination of the amount of an award, often for specific types of aid or specific kinds of recipients. There are also a substantial number of citations for award revisions, as initial determinations are adjusted and altered. This can occur for a large number of reasons, including changes in family circumstances or available resources, refusals of assistance, correction for overawards, shifts in fees or other budget elements, etc. Other activities in the award process were noted by a few schools, such as appeals by students, changes in the needs analysis (that is, an adjustment in expected family contribution), and the reallocation of aid funds originally assigned to applicants who fail to enroll or withdraw after enrolling.

Almost 30 percent of the responses fall in the "Application and Outreach Activities" classification. These activities include the preparation and distribution of aid literature, materials, and application forms; the conduct of workshops and seminars for students and their families; outreach programs to find needy applicants; counseling

ATTACHMENT A

TO

CHAPTER 5, VOLUME I

120

expected on the basis of the number of recipients alone). It is interesting that the low level of productivity for 2-year public schools in the cases of NDSL and CWS, while not disturbing the rank ordering on the basis of scale, nevertheless confirms the earlier (and similar) findings of Table 5.5, above. Thus, on balance, greater scale generally is associated with higher productivity, with the possible exception of 2-year public schools.

TABLE 5.12: SELECTED MEASURES OF FINANCIAL AID OFFICE WORKER PRODUCTIVITY AND SCALE OF OPERATIONS BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79

	ALL SCHOOLS	Institutional Level and Control				
		4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Mean Persons Counseled Per Office Worker	362	637	273	507	158	164
Mean Persons Counseled	2672	8208	1555	1629	514	318
Mean Aid Applicants Per Office Worker	239	345	248	185	134	99
Mean Aid Applicants	1782	5089	1258	740	342	195
Mean Aid Recipients Per Office Worker1/						
BEOG	360	516	379	242	317	187
SEOG	473	774	457	211	415	166
NDSL	442	773	419	77	646	126
CWS	290	372	307	78	331	49
Mean Aid Recipients						
BEOG	566	1882	332	442	115	115
SEOG	205	473	169	115	59	32
NDSL	421	936	373	41	86	51
CWS	320	746	257	87	89	10

Source: Institutional Site Visit Survey.

1/The denominator for each case is the person-years of financial aid office staff time reported as allocated to the particular aid programs.

On Table 5.12 in terms of both individuals counseled per worker and aid applications processed per worker, there is a perfect rank correlation among the measures of productivity and their corresponding measures of scale (i.e., individuals counseled and applications processed, respectively). Using aid recipients by program as the scale measure and aid recipients per worker by program as the measure of productivity, Table 5.12 shows that the rank correlation is not perfect, but that the rankings of scale and productivity are the same in all but three cases. Two of these cases occur in the BEOG programs (the 2-year public and the proprietary schools have lower productivity levels than expected on the basis of recipients alone) and one occurs in the SEOG program (the productivity for 2-year private schools is much larger than

Office Staff Productivity

Throughout this final section of Chapter 5, the statistics presented reportedly involved implications regarding financial aid office and worker productivity. These implications have been variously referred to as "efficiencies," "scale economies," and "productivity." The purpose of this last table in Chapter 5 is to complete the focus on productivity. Before doing so, however, it must be made clear that, in the discussion of worker productivity by type of school, no reference is being made as to the capabilities, or differences in capabilities, of workers among the school types. This question was explored earlier in Table 5.7, where it was concluded that differences in education and experience were small and scattered, with some minor systematic variation correlated with gross wage and salary differences (see Table 5.8).

Rather, Table 5.12 will examine productivity differences which would occur even if all personnel of a given type were identical in capabilities. That is, productivity differences will be due primarily to economies of scale of operation (which results from the ability to provide a better mix of resource inputs such as computers, the ability to have office personnel specialize in task assignments through division of labor, the avoidance of problems connected with factor indivisibility, and the ability to spread tasks, which are necessary but unrelated to office size, such as many reporting functions, over a larger volume of office operations), and not to differences in worker capabilities.

The productivity figures in Table 5.12 are inversely related to the measures used in previous tables. This is because previous tables examined the workers used per unit of output, whereas Table 5.12 examines the standard measure of productivity: units of output per worker. Just as the previous measures were found to decline as the size of the operation increased, the measures on Table 5.12 should increase as operation size increases. For convenience, the appropriate measures of the size of operations (persons counseled, aid applicants, and aid recipients) are repeated on Table 5.12 from Table 5.5.

While a wide variety of recruiting sources are employed among the school types, these patterns do not serve to explain the patterns of hiring and retention problems (although they may contribute to them). One other possible explanation for the hiring and retention problems (other than those explicitly stated as a problem in Table 5.9) is the selection criteria used in employing aid professionals. Table 5.11 shows that, with virtually all schools in the sample reporting, school type-specific frequencies of selection criteria are evident, but none is systematically related to the problems itemized in hiring and retention. Typically, technical skill is the most frequently mentioned selection criteria, although 4-year public schools report FAO experience as a screening criterion more frequently. Interestingly, 4-year private schools mention FAO experience as a screening criterion just over half the time. Other important selection criteria for 4-year public schools (who seem to use more criteria, more often) were management skills, counseling skills, and academic background. Again, private schools use this latter criterion in only two out of five cases. Lastly, proprietary schools use the selection criterion, personality, only half as often as do the other types of schools.

TABLE 5.11: PERCENTAGE OF INSTITUTIONS USING VARIOUS RECRUITMENT SELECTION CRITERIA IN HIRING AID PROFESSIONALS, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79[1]

	Institutional Level and Control				
	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Technical Skill	86	82	97	80	90
FAO Experience	92	61	80	80	83
Counseling Skill	86	69	83	70	79
Management Skill	90	78	67	60	62
Acad. Background	78	41	50	40	66
Personality	20	20	20	20	10
Number of Respondents	50	49	30	10	29

Source: Institutional Site Visit Survey.

[1] Multiple responses are allowed in each column.

In the face of these hiring and retention problems, it is interesting to see what sources are used to recruit aid professionals, and to see whether different sources are used by those types of schools which report hiring and retention problems. Table 5.10 shows that, while some differences exist by type of school, there appears to be no systematic relationship between recruitment sources and the reporting of hiring and the retention problems. The most common pattern is to use sources in the following decreasing order of importance: school placement offices, general audience advertisements (e.g., newspaper ads), professional associations, special audience advertisements, personal contacts and, lastly, private placement services.

TABLE 5.10: PERCENTAGE OF INSTITUTIONS USING VARIOUS RECRUITMENT SOURCES FOR AID PROFESSIONALS, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79[1]

	Institutional Level and Control				
	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
School Placement Office	72	50	59	25	39
Gen. Audience Advertisement	60	37	59	25	39
Professional Association	62	33	29	0	33
Special Audience Advertisement	62	27	35	13	11
Personal Contacts	13	17	12	50	22
Private Placement Service	19	27	6	0	6
Number of Respondents	47	30	17	8	18

Source: Institutional Site Visit Survey.

[1] Multiple responses are allowed in each column.

Sixty percent or more of the 4-year public schools use one or more of the following: the school placement office, general and special audience advertisements, and professional associations. The most frequently mentioned recruitment source for all but the 2-year private schools is the school placement office. For the 2-year private schools, the most frequently mentioned source is personal contacts, with absolutely no use made of professional associations or private placement services by these schools. Little use is made of special audience advertisements by either 2-year private schools or proprietaries. Lastly, proprietaries reported using none of the recruiting sources more than 40 percent of the time.

Retention and Recruitment of Aid Professionals

Given the salary levels displayed above, it is not surprising that salaries are the dominant problem in hiring and retaining FAO professionals. Excluding proprietary and the 2-year school, which display low numbers of responses, Table 5.9 shows that almost all of the 4-year schools which stated they had a hiring problem, and a large percent of those reporting a staff retention problem, indicated that low salaries were a cause. Overall, other hiring problems in these schools were minor by comparison, with up to 20 percent of the 4-year schools with hiring problems mentioning such factors as working conditions, school location, and lack of support from the school administration. On the other hand, higher response frequencies were received from 4-year schools reporting retention problems caused by working conditions (over 30 percent), and the hiring of workers with limited commitments (spouses of students) or the hiring of young workers who eventually realize the lack of advancement opportunities within the financial aid office (around 20 percent).

TABLE 5.9: PERCENT OF INSTITUTIONS GIVING SPECIFIC REASONS FOR HIRING AND RETENTION PROBLEMS, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79

	Institutional Level and Control				
	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Hiring Problems (%)					
School Location	0	7	17	0	0
Working Conditions	9	18	0	0	0
Salary	97	89	50	100	100
Lack of Support	9	4	33	0	0
Number of Cases	35	28	12	2	1
Retention Problems (%)					
Temporary Employment	14	24	25	25	0
Working Conditions	36	33	25	0	50
Salary	91	73	83	50	50
Lack of Support	11	6	0	25	0
Number of Cases	36	33	12	4	2

Source: Institutional Site Visit Survey.

[1] Multiple responses are allowed in each column.

TABLE 5.8: MEAN SALARIES (IN ANNUAL DOLLARS) FOR SELECTED PERSONNEL CATEGORIES, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79

	ALL SCHOOLS	Institutional Level and Control				
		4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Professional and Peer Combined1/	12,852	13,948	10,598	16,691	12,572	13,260
Professional2/	14,891	21,191	11,508	15,503	12,915	17,884
Secretarial/Clerical	5,809	6,719	4,889	7,154	5,559	7,549

Source: Institutional Site Visit Survey.

1/Due to OMB restrictions, salaries could not be obtained directly. Rather, the total wage bill in each office for Professional and Peers combined was obtained, and these salaries were calculated by dividing the wage bill by the number of full_time equivalent professionals and peers in each office.

2/Calculated by assuming that professional salaries are 150 percent of peer salaries.

salary advantage of public over private continues to hold. It is interesting, however, that under this "adjustment" the salary advantage of 4-year public schools was substantially enhanced, while the proprietary salary level for professionals increased to a figure above that of the 2-year public schools. This phenomenon in the proprietary schools may reflect the fact that these are profit-making institutions where the financial aid officers often serve in more than one capacity. (The financial aid officer may, for example, own the school.)

The salaries for secretarial and clerical workers are highest in the public schools and the proprietaries, where they are around $7,000 per year. Salaries are somewhat lower in the private schools, where they are $5,500 to $6,500 per year. This is the same general pattern that was observed for professional salaries, and lends confidence to the pattern observed among the "adjusted" professional salaries. It is interesting to note, however, that secretarial salaries are higher in the 2-year public schools than in the 4-year public schools (the reverse of that observed for professionals), and higher in the 2-year private schools than in the 4-year private schools. This probably reflects the added responsibilities borne by many secretarial staff workers in the 2-year institutions.

part-time and full-time employees. The least experienced full-time professionals, however, are found in 2-year private schools, and the least experienced part-time professionals are found in 4-year public schools. It is interesting that, in all but the public schools, the part-time employees exhibit more work experience than do the full-time employees on average. The size of the full-time/part-time experience differential in the nonpublic schools (especially the 2-year private schools) suggests that mean full time equivalent salaries should be lower in the nonpublic schools, in spite of a somewhat lower proportion of full-time professionals in these schools (see Table 5.5).

TABLE 5.7: EDUCATION AND WORK EXPERIENCE OF FULL-TIME AND PART-TIME FAO PROFESSIONALS, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79

	ALL SCHOOLS	Institutional Level and Control				
		4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Mean Work Experience						
Full-Time	4.62	4.64	4.59	5.26	3.00	3.98
Part-Time	4.12	1.46	4.86	2.20	4.75	5.07
Mean Schooling (in years)						
Full-Time	16.52	16.89	16.21	17.14	16.79	15.88
Part-Time	15.63	15.53	15.80	16.51	14.88	14.87

Source: Institutional Site Visit Survey.

This suggestion is partially verified in Table 5.8, which displays mean salaries by personnel type and type of school. Even though the data do not permit the separation of professional and peer employee salaries, an examination of the mean combined salaries, followed by an examination of salaries of professionals and peers separated by assumed proportions, should provide a useful picture of the variations in salaries by type of school. Table 5.8 shows that the combination salaries of private schools are indeed lower than those in public schools. Since the combination salaries allow substantial variations in the mix of professionals and peers (which, of course, can affect salary comparisons), an attempt was made to adjust for such a mix by assigning a proportional relationship between professional and peer salaries (i.e., a ratio of 3 to 2, respectively). The results of this adjustment show that the same basic handle between 4 and 14 times the applicant load, depending on the personnel types being considered, with an overall average for all personnel types of almost 8. Obviously scale economies are being realized.

The last set of figures on Table 5.6 describes the percent of each personnel type being employed full time in each school type. Overall, the FAO professional is most often employed full time, with secretarial and clerical least often employed full time. In addition, on average, the majority of each personnel type is employed full time, with an overall average for all personnel types combined of almost three-quarters employed full time. Examination of these statistics by school type, however, reveals that peer employees are employed more often part time in 4-year public schools, and secretarial and clerical personnel are employed more often part time in proprietary and 2-year private schools. In fact, 2-year proprietary schools employ secretarial and clerical personnel full time less than one-third of the time. This may reflect the fact that secretaries in 2-year private schools and proprietaries "wear many hats" and divide their time between financial aid and other activities (e.g., admissions, registrar, faculty). Lastly, in the 4-year schools and the 2-year public schools, almost all professional financial aid officers work full time. This is not the case in the 2-year private schools and proprietaries. These institutions often share professionals with other schools, hire professionals on a consulting basis or, more commonly, assign full-time school employees to serve part time as financial aid professionals. This, of course, extends to all types of financial aid personnel in these school types and explains why overall, only between 50 and 60 percent of the staffs of these offices are employed full time by the financial aid office.

Focusing on the FAO professional, it is clear from Table 5.7 that the typical full-time professional has a bachelor's degree and between four and five years' experience; the typical part time professional has something less than a baccalaureate, with just over four years' experience. Professionals in proprietary schools tend to be slightly less educated with, on average, less than a baccalaureate degree for both

TABLE 5.6: NUMBER OF AID STAFF FOR PERSONNEL CATEGORIES, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79

	ALL SCHOOLS	Institutional Level and Control				
		4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Mean FTE Staff						
FAO Professionals	1.92	4.19	1.62	1.07	1.12	0.56
Peer Employees	0.89	0.87	0.95	0.70	0.47	1.05
Secretarial/Clerical	3.26	8.36	2.10	2.39	1.26	1.10
Total	6.07	13.41	4.67	4.11	2.85	2.71
Mean Staff Per 1,000 Applicants						
FAO Professionals	2.44	1.18	2.31	2.14	3.73	4.58
Peer Employees	3.29	0.78	2.88	2.97	2.13	11.01
Secretarial/Clerical	4.78	2.29	2.72	6.28	5.11	17.76
Total	10.52	4.24	8.11	11.42	10.97	33.35
Mean Percent Full-Time						
FAO Professionals	87.2	97.3	85.0	93.3	67.2	64.5
Peer Employees	67.2	39.0	75.2	78.7	93.8	57.3
Secretarial/Clerical	63.5	72.1	64.2	73.0	28.7	37.2
Total	73.1	78.8	74.4	79.4	58.7	52.2

Source: Institutional Site Visit Survey.

secretarial/clerical personnel reported, but also to wide differences in the numbers of other personnel types reported as well. For example, proprietary and 4-year schools are relatively high users of peer employees, whereas 2-year schools are low users of these personnel. This is somewhat surprising, because peer employees in proprietary schools are not eligible for CWS, so one would assume that their usage by proprietaries would be diminished relative to other school types.

In spite of the clear pattern of staff size varying with the workload (i.e., applicants), it is clear from Table 5.6 that the staff size is not proportional to the workload. The number of staff per 1,000 applicants shows that there is a strong tendency for the large schools (in terms of applicants) to have more efficient staffs (possibly because of the use of computers, the ability to have staff specialize in tasks, etc.) than the smaller schools. This confirms the findings of Tables 5.1, 5.3, and 5.5 regarding scale economies. While such a finding does not hold in every case between school types of adjacent average sizes, the extremes are rather dramatic. The personnel of the largest school types are able to participation rates are only about half those in 4-year schools. In the public institutions the percentages of students receiving NDSL Campus Based aid are more than three times the percentages receiving such aid in private institutions. This same pattern holds among the nonproprietary schools in the case of CWS, although the observed differences are not nearly as large. Proprietary schools take the lead in SEOG participation, as well as BEOG participation, which reflects the high cost of education in these schols relative to the students' resources, as well as high NDSL participation. Interestingly, proprietaries have negligible CWS participation, which reflects the inability to hire their own students as other school types do. Finally, it is noteworthy that the percentages of public school students participating in NDSL and CWS are almost identical within each institutional level. Private institutions rely more heavily on CWS than on student loans, although the percentages of students involved in both programs are fairly small.

General Characteristics of Aid Office Personnel

Distribution of Characteristics of Aid Office Personnel

The financial aid office is typically staffed by three types of workers: professionals, peer employees, and secretarial and clerical workers. The functions of each type of worker may not be highly specialized. Each may "wear many hats" and often serves as a close substitute for the others.

Table 5.6 shows the composition of the aid office staff by type of school. From the first three rows in the table it is clear that schools vary widely in the total amounts (as already shown in Tables 5.1 and 5.3 above) and kinds of labor used in the aid process. As anticipated, the figures on Table 5.6 repeat the findings of Table 5.1, that the staff size varies directly with the number of applicants to be processed. The composition of these work forces do not follow such a simple pattern, however. While secretarial and clerical are always the most heavily used type of personnel, their number relative to the other types is widely varied. This is due not only to a substantial variation in the number of

These patterns of figures and their relative values (i.e., determined by dividing the weeks per person per year for each program on Table 5.4 by the corresponding number of aid recipients on Table 5.5) clearly indicate that there is a great range of efficiencies among the types of schools (addressed at length, below). But, within each school type, the pattern of the workload reported per recipient is almost the same (and, in fact, the recipients per workload of BEOG, SEOG, and NDSL are almost identical), except for 2-year public schools where an unusually large amount of time is spent on NDSL and CWS on a per recipient basis.

Other perspectives on the typical workload can be obtained by examining the relative frequency of counseling, aid applications, and aid awards for nonproprietary institutions. From Table 5.5, it appears that about 90 percent of those enrolled get counseled. This is not the case, however, when one realizes that many of those counseled may never enroll or even apply for enrollment in the school. In fact, some of those counseled may be receiving financial aid counseling from more than one institution as part of their search process. Nevertheless, about as many individuals receive counseling at a school as eventually enroll (as undergraduates for more than half time) in that school, on average. It is also the case that more individuals receive counseling than apply for aid. Obviously, some of those counseled do not enroll, and some of those that do enroll do not apply for aid (presumably based on the information received in the counseling session). On average, about three-fourths as many apply for financial aid as eventually enroll. This varies from less than half for 2-year public schools to between 85 and 90 percent for the private nonproprietary schools. Such differences between the public and private nonproprietary universities may reflect differences in tuition fees and other charges (see Table 5.1).

By type of program, Table 5.5 shows that almost 30 percent of the undergraduate student enrollment is receiving BEOG, with proprietary schools far above this average. Differences between public and private nonproprietary schools are much more pronounced in the participation rates for the Campus Based programs. In 2-year schools the SEOG

TABLE 5.5: THE SCOPE OF FINANCIAL AID WORKLOAD AS MEASURED BY A VARIETY OF SELECTED STATISTICS, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79

	ALL SCHOOLS	Institutional Level and Control				
		4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Mean Persons Counseled	2,672	8,208	1,555	1,629	514	318
Mean Aid Applicants	1,782	5,089	1,258	740	342	195
Mean Unduplicated Recipients1/	704	2,074	566	487	183	117
Mean Aid Recipients						
BEOG	566	1,882	332	442	115	115
SEOG	205	473	169	115	59	32
NDSL	421	936	373	41	86	51
CWS	320	746	257	87	89	10
Mean Per Recipient Workload2/						
BEOG	.024	.008	.032	.038	.084	.187
SEOG	.024	.008	.034	.031	.066	.194
NDSL	.024	.008	.031	.185	.069	.200
CWS	.033	.014	.040	.137	.094	.350
Mean Counseled/Enrolled	0.93	0.88	0.96	0.91	0.86	3/
Mean Applicants/Enrolled	0.73	0.59	0.88	0.40	0.84	3/
Mean Recipients/Enrolled (%)						
BEOG	29	29	27	26	28	53
SEOG	9	9	13	5	5	14
NDSL	12	13	4	23	7	20
CWS	11	10	8	22	16	2

Source: Institutional Site Visit Survey and Student Survey (for recipient/enrolled figures only).

1/Repeated from Table 5.1 for convenience.

2/Calculated by dividing the work weeks per person per year for each program on Table 5.4 by the corresponding number of recipients on this table.

3/Figures for proprietary schools were exluded because all variables were defined for the other school types on a standard 9-month academic year, and this was not possible for enrollment in proprietary schools.

the overall pattern, in that workers in these schools devote slightly more time to NDSL than to CWS, but the major departure is, again, in the case of proprietary schools. By far, the most time-consuming Campus Based program for proprietaries is NDSL, which takes up more than half of all Campus Based staff time. This is due not only to a large absolute amount of staff time devoted to NDSL compared to other school types, but also to the fact that CWS is not very time-consuming _in absolute terms_ for participating proprietaries. This, of course, largely reflects the extremely small scale of CWS in participating proprietaries.

It is interesting to compare the time spent on financial aid programs and activities with selected measures of the workload typically facing the institution. Table 5.5 shows that, as expected, the 4-year public schools lead all others on average in the number of students counseled, number of applicants, and number of aid recipients. This type of school is followed (but not closely) by 4-year private, 2-year public, 2-year private, and proprietary in all cases, except (1) for recipients, where the mean number for proprietaries is slightly above that for 2-year private schools, and (2) for students counseled, where 2-year public is slightly above 4-year private.

The pattern of recipients by program only partially reflects the staff time allocation of Table 5.4. Clearly BEOG is the largest program in all schools in terms of recipients, and thus mirrors the staff time allocation pattern. The recipient patterns among the other programs do not match the staff time allocations in all cases, however. The pattern of CWS taking more time than NDSL, and NDSL taking more time than SEOG, as established for "All Schools" in Table 5.4, barely holds for 2-year private schools in terms of recipients. Most other school types tend to follow the time allocation pattern established by proprietary schools of NDSL taking more time than SEOG, which in turn takes more time than CWS. Specifically, this latter recipient pattern holds for other school types, except for 2-year public schools where SEOG and CWS change places.

TABLE 5.4: ALLOCATION OF STAFF TIME AMONG ACTIVITY CATEGORIES, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79

	ALL SCHOOLS	Institutional Level and Control				
		4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Percent Time Spent On:						
BEOG	26.9	28.1	21.8	33.0	27.8	44.4
Campus Based1/	44.8	42.3	52.2	39.9	44.5	20.8
BEOG & Campus Based2/	71.6	70.4	74.0	72.9	72.3	61.1
Work Weeks Per FTE Worker Per Year:						
BEOG	13.5	15.3	10.6	16.7	9.7	21.5
SEOG	5.0	3.9	5.7	3.6	3.9	6.2
NDSL	10.0	7.6	11.6	7.6	5.9	10.2
CWS	10.4	10.8	10.3	11.9	8.4	3.5

Source: Institutional Site Visit Survey.

1/An institution was included in the percentage calculations for this row if the institution participated in at least one of the three Campus Based financial aid programs.

2/An institution was included in the percentage calculations for this row if the institution participated in BEOG and at least one of the three Campus Based financial aid programs.

An examination of these percentages by type of school shows that nonproprietary schools participating in BEOG and at least one of the Campus Based programs allocate over 70 percent of all aid staff time to these four Federal programs. The public schools in this group spend less of this time administering the Campus Based programs and more in administering the BEOG program than do private schools. Proprietaries are the only schools to spend more time on BEOG than on the Campus Based programs. In fact, the time spent by proprietaries on BEOG averages more than twice that spent on Campus Based programs. This is likely due to the more limited use of the Campus Based programs by proprietaries.

The overall time spent among the Campus Based programs per full-time equivalent financial aid office worker is shown on Table 5.4 to follow a pattern of slightly more time being spent on CWS than on NDSL, and about twice as much time on NDSL than on SEOG. Most school types conform to this pattern. There is a slight departure by 4-year private schools from

Even excluding staff time spent on record keeping and reporting, however, there remain large disparities in the staff time expended among the types of schools. For example, need assessment and packaging combined vary from 9.9 to 19.1 in terms of staff weeks per worker per year, and from 3.5 to 13.8 in terms of staff hours per applicant. Furthermore, the extreme positions are taken by proprietary schools and 4-year public schools. The former are lowest in terms of total time per worker, but highest in terms of time per applicant; whereas the latter are highest in terms of staff time per worker, but lowest in terms of time per applicant. The implication is clear that these differences are explained by scale effects. Those schools with the largest number of applicants (4-year public schools) require more staff time per worker, but are more efficient in their operations and are able to spread the fixed costs of reporting over a larger number of applicants, so that staff time per applicant is substantially reduced. These figures are also consistent with the small size of the proprietaries (in terms of both applicants and financial aid staff) and the consequent personalized nature of the services these staffs provide.

Turning to Table 5.4, we can examine the allocation of staff time among the programs within the financial aid offices of the various types of schools. Overall, the four Federal programs (BEOG, SEOG, NDSL, and CWS) account for over 70 percent of all staff time for those schools participating in BEOG and at least one of the Campus Based programs, with the time devoted to the Campus Based program being two-thirds greater than that for the Basic Grant program. These percentages give some indication of the huge impact the Federal programs have had on financial aid offices since their inception 15 years ago. They now constitute the bulk of the work performed by these offices.

Several points must be made. First, the overall "new" pattern of work effort displayed on Table 5.3 is due largely to the allocation of staff time in proprietary schools. Second, recall that proprietary schools were by and large absent from the statistics of Table 5.2, so that the findings of Tables 5.2 and 5.3 are really not contradictory. Third, the high figures on record keeping and reporting shown for proprietary schools (relative to both the same activity classificaion for other school types and different activity classifications for the same school type) are probably due, in part, to a failure of proprietary schools to distinguish reports and record keeping required for financial aid *per se* from the reports and record keeping required for other purposes. It may also be partially due to the fact that aid in proprietary schools often takes the form of student loans (see Table 5.3, below). Loan programs typically place a heavy record-keeping burden on the institutions. At the same time, proprietaries, as profit-making enterprises, may feel that special attention to reports and records protects them in the event of audits, reviews, and contractual disputes.

TABLE 5.3 ALLOCATION OF STAFF TIME AMONG ACTIVITY CATEGORIES, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79

	ALL SCHOOLS	Institutional Level and Control				
		4-Year Public	4-Year Private	2-Year Public	2-Year Private	Propri-etary
Task Specific Work Weeks per FTE Worker per Year						
Need Assessment	5.77	6.35	6.06	5.47	4.07	4.25
Packaging	9.49	12.71	9.67	7.55	8.99	5.64
Reports and Records	11.87	11.61	12.52	10.16	9.04	12.40
Task Specific Work Hours per Applicant						
Need Assessment	2.10	1.04	1.79	2.08	1.50	6.07
Packaging	2.95	2.40	2.23	2.80	4.15	7.75
Reports and Records	5.21	1.70	4.78	3.23	4.35	17.75

Source: Institutional Site Visit Survey.

Workload by Program, Task, and Type of School

Before examining the composition and productivity of the staff typically employed by financial aid officers, it should prove useful to ascertain the contribution to the workload made by each type of financial aid program, and category of activity by type of school. By examining the allocation of total staff time in financial aid offices by type of school, we can further refine the findings of Table 5.2 (and the table from which it was drawn, Table 5.A in Attachment A) and focus on which of the aid programs is the most burdensome by type of school.

The initial examination of staff time is presented in Table 5.3, where an attempt was made to separate staff effort into categories as closely resembling those in Table 5.2 as possible. Therefore, the task categories of "Need Assessment," "Packaging," and "Reports and Records" are utilized in Table 5.3. Furthermore, staff time is presented in weeks per year per staff member as one measure, and is restated on a per applicant basis as hours per applicant as another measure. Of course, figures for each type of school are reported in addition to a weighted figure for all schools combined.

Looking first at the "All Schools" figure, it is clear that staff time among the activity categories does not have a perfect rank correlation with the findings of Table 5.2. Regardless of whether the staff time is expressed on the basis of the number of applicants or not, reporting and record keeping take the most staff time. Much the same picture is also presented when looking at staff time by type of school. On both a weeks per year per staff member and a work hours per applicant basis, this new pattern holds for all but 4-year public schools, and is very pronounced for proprietary schools. In the case of proprietary schools, the activities of reporting and record keeping show a work level which is two to three times greater than the other two activity categories.

relative seasonal pattern that runs counter to the overall level of activity. It follows a regular annual movement from the summer, when aid application activity is the least, to peak periods in January and February, when most requests for the following academic year must be submitted. When applications and supporting documents are received by the aid office, "Packaging and Awarding Activities" may begin (see line "II" on Figure 5.2). These activities peak in late spring and continue at high levels throughout the summer, as schools prepare for fall openings. Once incoming and returning students are processed for the fall, aid packaging activities diminish sharply until the next year's round of applications begins to arrive. This cycle appers to have the same general shape as the overall cycle of Figure 5.1, but appears as other than a level line because of the much wider variation displayed by the packaging and awarding cycle.

Lastly, the "Reporting and Record Keeping Activities" group (line "III" on Figure 5.2) is out of phase with the total activity cycle. Activity in this group is fairly low except in the summer and early fall, where activity for this group is actually composed of two separate reporting "peaks." One peak immediately follows the June graduation season when the past year's activities must be summed up and reported, and final preparations made for the new fall term's awards and disbursements. The second peak follows fall registration, when the FISAP (the combined application and reporting form for Federal Campus Based aid programs) must be submitted.

In summary then, there is a distinct cyclical pattern to the total workload of a financial aid office which is not controllable by the individual office. Furthermore, the overall workload cycle is a result of overlapping groups of activities, which often are associated with different award years, and with each group exhibiting its own unique seasonal pattern. Finally, none of the component groups of activities seems to be controllable by the individual financial aid office, as well.

FIGURE 5.2: SEASONAL VARIATION IN THE PERCENTAGE COMPOSITION OF THE TOTAL REPORTED FINANCIAL AID OFFICE ACTIVITIES BY MONTH

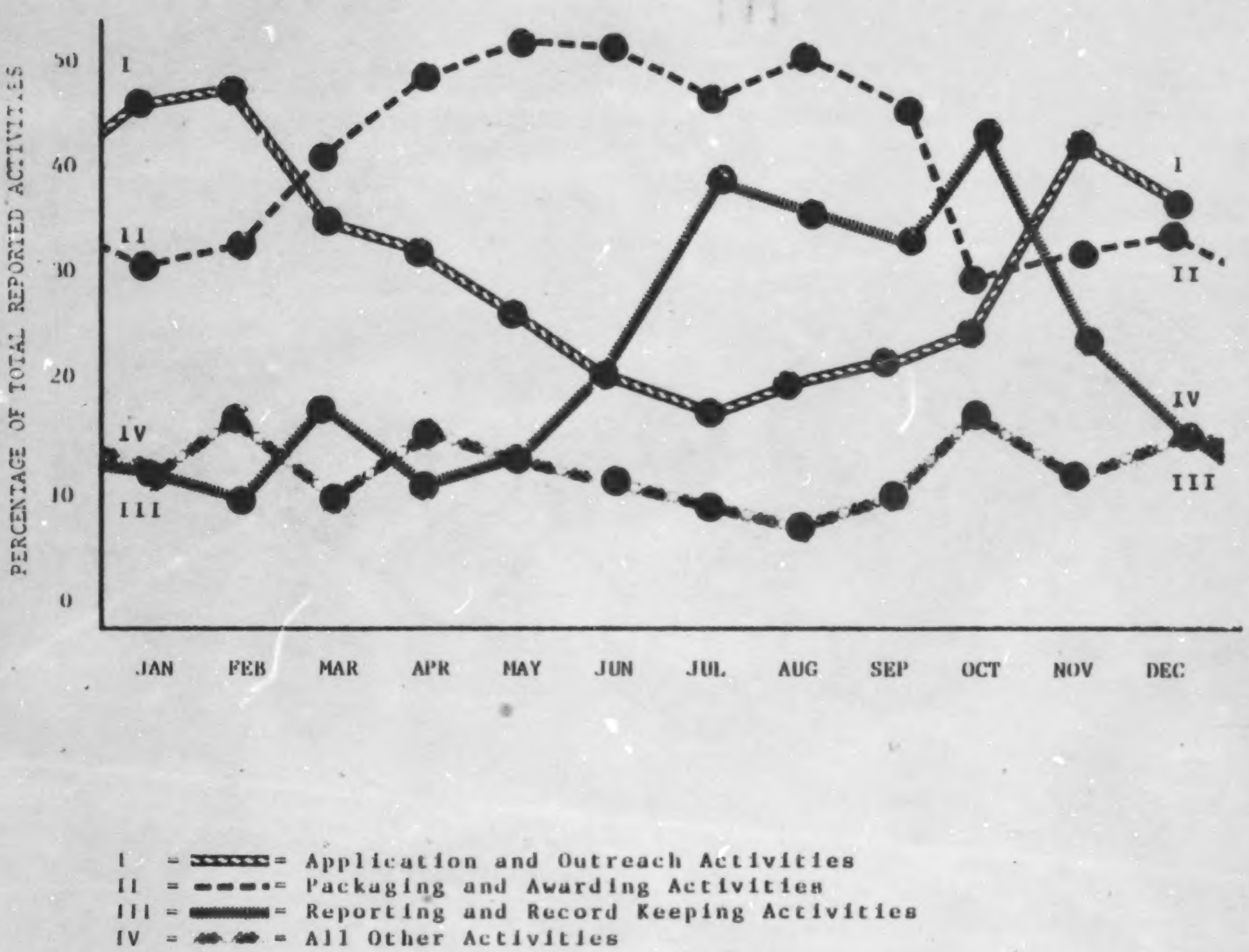
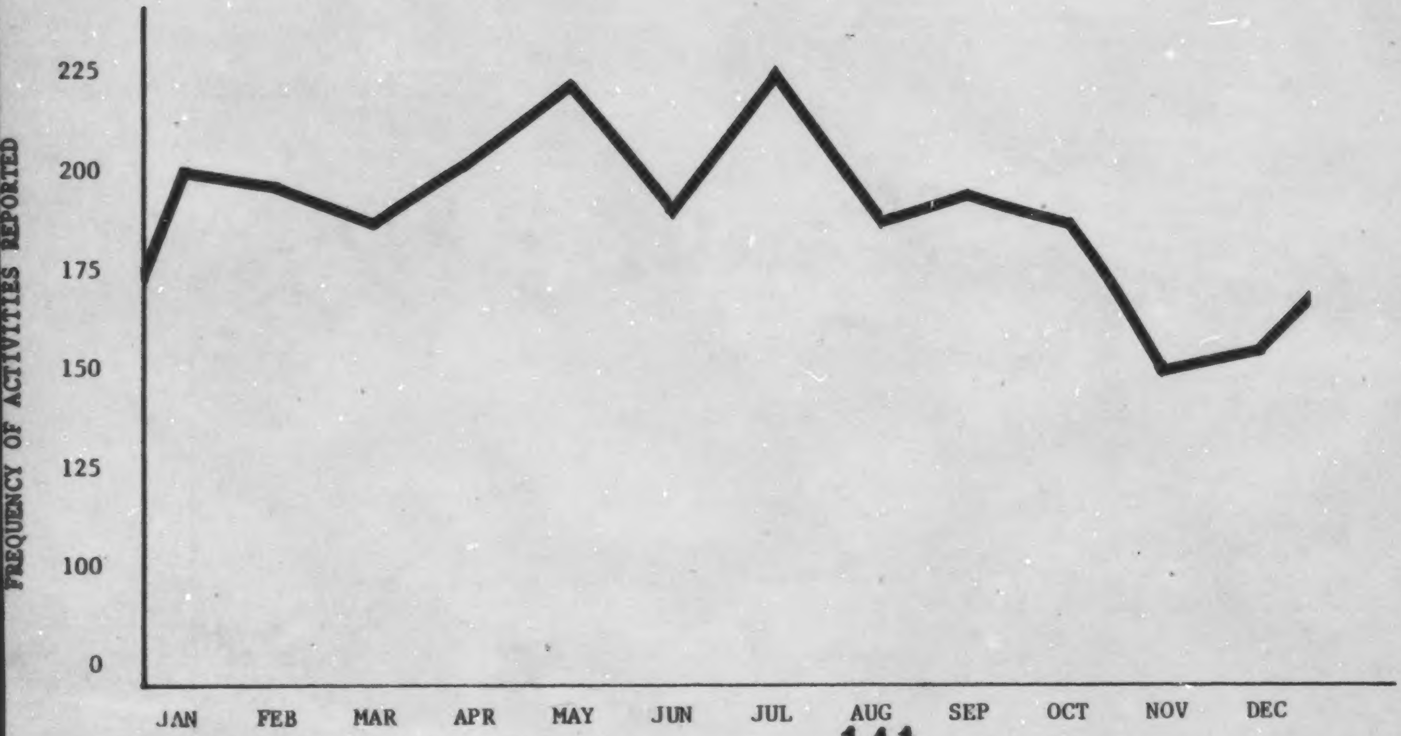


FIGURE 5.1: SEASONAL PATTERN OF ALL REPORTED FINANCIAL AID OFFICE ACTIVITIES



The second is that the activities of the financial aid office represent a mix of events associated with overlapping aid years. That is, the financial aid office must make and administer the award packages for the current year, as well as prepare reports and applications in anticipation of the next year's award cycle. Thus, we have an overlap of responsibilities to the current recipients and responsibilities to potential future recipients during virtually every month of the annual work cycle.

The third point is that the overall workload is seasonal in both size and composition. Figure 5.1 records the total number of activities reported by month throughout the year. Clearly, the total workload appears to be seasonal, with the most activity occurring in the late spring and early summer, and the least activity occurring in the late summer and throughout the fall. The curve of activity is not smooth, however, which suggests that, in accordance with the overlapping of financial aid annual work cycles, in the second point above, the seasonal workload may be a composite of several component cycles that do not follow the same seasonal pattern. Accordingly, Figure 5.2 has been prepared to examine the composition of the workload over the annual period.

Figure 5.2 is constructed so that the percentage share of the total reported activities is shown for each of the four major task or activity groupings. Thus, if all groups had a cyclical pattern that was "in phase" with the overall pattern shown in Figure 5.1, then all four lines on Figure 5.2 would be level (and, of course, parallel). Such a situation is much the same with the "All Other Activities" group (designated by "IV" on Figure 5.2). The percent of total activity represented by this group fluctuates randomly around 10, indicating that these support activities tend to rise and fall with the total of all activities.

This is not the case with the other three activity groups, however. Each appears to exhibit its own seasonal pattern. For example, "Application and Outreach Activities" (designated by "I") seems to have a

The Cyclical Pattern of Financial Aid Office Activities

The complete details of the raw frequency distributions of these 2,172 citations, along with an accompanying analytical narrative, are presented in Attachment A to this chapter. Table 5.2 presents a summary of these statistics, however. An examination of Table 5.2 (and Table 5.A in Attachment A to this chapter) would reveal three important points. The first is that there is little that a financial aid staff can do to control its own workload. The overall burden is a function of enrollment and the associated student needs. Most deadlines, incoming forms and communications, financial disbursements, and other basic features of work in student assistance are established by agencies other than the aid office, including the school's own calendar, application systems (which have been heavily influenced by Basic Grant and other Federal aid programs), and funding cycles. In consequence, the workload must be taken as a given, and the main preoccupation of an aid office is in keeping up with this load.

TABLE 5.2: ACTIVITY FREQUENCY COUNTS AND PERCENTAGE COMPOSITION OF THESE COUNTS FOR MAJOR ACTIVITY GROUPINGS, BY MONTH: ACADEMIC YEAR 1978-79

	Months of the Year											
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
All Activity Count	193	189	188	197	212	186	213	168	180	166	129	151
Relative Frequencies (%)1/												
Application and Outreach	44.6	46.0	35.6	28.4	23.6	18.3	13.6	16.1	17.8	21.1	38.0	35
Packaging and Awarding	30.1	31.2	41.5	47.2	54.2	54.8	43.2	47.0	34.9	25.3	30.2	33
Reporting and Recordkeeping	12.4	9.0	14.4	10.2	11.3	17.7	38.0	32.7	30.0	38.6	22.5	15
All Other Activities	13.0	13.8	8.5	14.2	10.8	9.1	5.2	4.2	8.3	15.1	9.3	15

Source: Institutional Site Visit Survey.

1/May not total to 100.0 percent due to rounding.

mentioned by the schools. Thus, an activity is recorded or counted each time it is mentioned. If a single school reported that it undertook a specific activity each month during the year, the frequency count for that activity would be incremented by one for each month of the year and the annual total incremented by 12. At the same time another school may report the same activity for one month only, so that the frequency count for that month, as well as the annual total, would be incremented by one. Clearly, these counts or frequencies are very gross measures, but should be useful, nevertheless, in ascertaining the nature of the roles performed by financial aid offices throughout the year.

Some difficulty was encountered, however, during this data acquisition and analysis due to the inherent ambiguity of much of the terminology used by schools to describe their financial aid work and the consequent inconsistency among institutions. For example, it is not clear where the "processing of applications" ends and "aid packaging" begins, nor is it clear that "awarding aid," "mailing award letters," and "disbursing aid" are always distinct and unambiguous tasks. Therefore, in coding the schools' responses on their workloads, conventions had to be established. For example, "awarding" was treated as a key word denoting the final allocation of funds, "mailing" was treated as a key word denoting announcement of the aid office's decisions, and "disbursing" was treated as a key word denoting a financial transfer, possibly occurring long after the formal award.

Despite these difficulties and the lack of weighting by the sampling proportions, counting the total number of times each activity was mentioned by schools in any particular month does yield a rough index of the prominence of particular work tasks. Such an index increases as schools call attention to an activity, and as more detailed information is provided about that activity. This is particularly the case as the law of large numbers takes over, so that one can take some comfort in the fact that a total of 2,172 specific citations of financial aid activities were reported by the schools, each linked to the month of the year in which it was undertaken.

The way in which institutions employ and allocate professional and nonprofessional staff can bear greatly on the quality of the services which they provide to the consumers of financial aid funds and to those seeking information. For example, aid offices with a staff emphasis on reporting and compliance requirements may relegate counseling or information dissemination activities to a secondary role. Other schools may reverse these roles and, in fact, run the risk of forsaking administrative requirements in order to increase the effectiveness of their consumer-related services.

The underlying issue of this chapter is, how effective are most aid offices in the management of scarce resources, including personnel? This issue is, of course, faced by all offices with management responsibility, but is greatly complicated for those financial aid offices with responsibilities for graduate students, law school students, etc. The results presented below will provide the reader with an overview of the ways in which aid offices manage their internal operations; the effect on the ultimate delivery of student aid will be explored at a future time.

RESULTS

Allocation of Office Activities

The Nature and Intensity of the Activities

In order to get some idea of the extent, timing, and nature of the workload facing financial aid offices, the site visit teams were asked to gather data regarding the month-by-month work activities in financial aid offices. Fortunately, a number of schools maintained detailed work calendars, while most others were able to identify major types of activities even though much of the detail might be lacking. On the other hand, some schools (particularly the smaller proprietary institutions) were eventually excluded from this analysis because they did not operate on traditional academic calendars, and therefore had monthly or quarterly activity cycles rather than an annual cycle.

This means that these initial statistics on financial aid office activities represent counts of times a particular type of activity is

One of the areas of concern in personnel matters involves the division between "professional" and "nonprofessional" responsibilities. The National Association of Student Financial Aid Administrators (NASFAA), for one, has advocated the establishment of the director of financial aid as a "professional" with decision-making power and salary to match. However, there is a limit to the placement of professionals in financial aid offices. While professional staff may be assigned responsibility for supervising various areas of aid office operations (e.g., records management College Work Study), there must also be a contingent of nonprofessionals to provide the necessary support services.

Nonprofessionals can be grouped roughly into "clerical" and "peer" categories. Clerical personnel are necessary to carry out a variety of important support functions. These functions include the performance of reception, typing, filing, and assorted paperwork obligations. In recent years, nonprofessional support has also come to include data processing personnel to cope with the necessities of computer-based operations.[1/] A peer employee is one who is roughly the same age as the student aid applicants or is also a student. One purpose of employing peers is to bridge some of the personnel barriers (i.e., a "generation gap") which may exist in traditional aid office situations. Many observers of the financial aid system have advocated the employment of peers as the most effective way to establish a true two-way line of communication between the student and the financial aid office. At some schools, peer training programs involve a cooperative effort between financial aid administrators and campus student organizations. Peer employees are most valuable when they are educated in the details of the aid programs for which students may be eligible, as well as in the nature of the student and office(r)'s perceptions, goals, and objectives. Furthermore, an active peer program can have a significant impact on the quality of counseling services.

[1/] In some of the largest schools, data processing personnel has been employed to develop and to refine new modes of computer applications to financial aid.

Program Responsibilities

In general, the responsibilities which aid offices must assume in order to fulfill the requirements of participation in the Campus Based and/or Basic Grant Programs are grouped into four areas:

- Packaging and Awarding Activities;
- Application and Outreach Activities;
- Record Keeping and Reporting Activities; and
- All Other Activities (e.g., validation, monitoring, training).

Each and every financial aid office must cope with the above scheme of duties in some manner. For the majority of institutions, this involves assembling the proper combination of staff and resources in order to meet these challenges. A minority of institutions will contract out some of these tasks to private individuals or firms who, for a fee, will assume some of the burdens of program participation (awarding, reporting, record keeping) from the institution.

THE ISSUES

Allocating Aid Office Duties

As part of his/her management responsibilities, the institutional director of financial aid must organize his/her staff in a way which will provide for the efficient performance of the work at hand. At those institutions where the volume of work (as best gauged by the number of aid applicants it must serve) is sufficient to demand the employment of specialized personnel, the assignment of areas of responsibility can be a key to the overall effectiveness of the entire aid operation. As will be noted in the "Results" section of this chapter, questions of staff assignments may not apply to the smallest institutions. At these schools, the aid director may, in fact, comprise the entire aid office staff. In other cases, aid personnel may be performing aid-related functions on a part-time basis, while they are, in actuality, assigned to other areas of the institution (admission, registrar, bursar, etc.). Thus, the following discussion of the division of labor within aid offices may not be applicable to all institutions.

TABLE 5.1: SELECTED BASIC CHARACTERISTICS OF SAMPLE INSTITUTIONS PARTICIPATING IN THE STUDY, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79

	ALL SCHOOLS	Institutional Level and Control				
		4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Schools Reporting	172	50	51	31	10	30
Mean Tuition & Fees	$1,980	$660	$2,930	$304	$1,843	$1,927
Mean Enrollment[1]	2,920	9,050	1,390	2,687	764	226
Mean Federal Aid Recipients[2]	704	2,074	566	487	183	117
Mean Financial Aid Office Staff	6.1	13.4	4.7	4.1	2.8	2.7

Source: Institutional Site Visit Survey.

[1] Enrollment is for a standard nine-month academic year, except for proprietaries, where enrollment is the number enrolled at the time the survey was administered (January-April 1979). All enrollment is undergraduates with at least a half-time course load.

[2] Recipients are the unduplicated count of those receiving one or more of the four Federal programs: BEOG, SEOG, NDSL, CWS.

Of course, public schools have more aid recipients than their private counterparts (with proprietary schools trailing) and larger staffs to administer the aid. However, the differences in staff sizes are not as pronounced as the aid recipient differences. This means that public schools have more efficient financial aid officers than private schools. This is most likely not due to the institutional control type, but due instead to the scale of operations present. That is, the public schools have larger enrollments and recipients so that the financial aid officers are able to take advantage of scale economics and employ a less than proportionate financial aid staff (i.e., each staff member is able to handle a larger recipient load in the larger schools). For example, proprietary schools require about the same staff size as 2-year private schools, in spite of the fact that their recipient load is less than two-thirds of that of the 2-year private schools. Clearly, more will be said about this phenomenon, below.

5

INSTITUTIONAL PROFILE

INTRODUCTION

Description of the Institutions in the Study

Prior to investigating the complexities of the operations of institutional financial aid offices, it is important to have an overall picture of the institutions which are being studied. Table 5.1 enumerates some basic characteristics of the sampled institutions which participated in the site visit collection effort. The information presented in Table 5.1 illustrates the utility of stratifying institutions according to their level and control.

For the 172 schools participating in the site visit portion of the study, the mean tuition was just under $2,000 and the mean enrollment just over 2,900. Approximately 25 percent of those enrolled were recipients of one of the Campus Based or Basic Grant programs and were reviewed by financial aid officers with just over six full-time equivalent staff members. The variability by institution types, however, is striking. Table 5.1 shows that tuition and fees for the private schools are between four and six times higher than those of their public counterparts, with proprietary fees and tuition ranking above those for 2-year private schools. On the other hand, the mean enrollments show just the opposite pattern (i.e., public schools with between four and six times the enrollments of their private counterparts), with proprietary schools ranking far below any of the other school types.

aid practices. The design of the Campus Based programs seems to be most compatible with minimal central control. On the other hand, there are, clearly, numerous practices which some aid offices undertake that result in inequitable treatment or produce results which were never desired (e.g., the awarding of Federal aid based on academic or athletic ability). In the contemporary context of limited regulatory scope, an *ad hoc* communications network has been established among the various elements of the student financial aid system in an effort to promote proper and efficient aid administration.

There are four basic channels through which information is disseminated to those concerned with student financial aid. Much of the information provided is in the form of guidance on specific aid practices and procedures. Briefly, the participants in this network are:

- *USOE*: which promulgates regulations, insures compliance, attempts to keep aid personnel abreast of current issues under consideration (e.g., through the Bureau of Student Financial Aid (BSFA) newsletter), and studies and/or evaluates the aid system;
- *Professional Associations*: which sponsor studies, seminars, conferences, and publications on a wide range of student financial aid issues, lobby the Federal government, attempt to develop consensus on issues of debate, provide a means for aid personnel to exchange ideas, approaches, and practices, and publish guides detailing specific aid office operations;
- *Private Need Analysis Services*: which serve as information clearinghouses, publish manuals for use by aid officers, lobby Federal, state, and local officials, compute statistical data, solicit membership, and sponsor seminars and conferences; and
- *The Aid Community*: which functions as an informal "grapevine," providing a virtually unlimited resource pool that enables any other member of the financial aid system to draw upon a wealth of knowledge and ideas simply by dialing a telephone or writing a letter.

In reality, the combination of the above-named participants in this financial aid communications web can assist aid administrators to only a limited degree. As it has been, and will be, continually stressed throughout this report, the local circumstances of each financial aid office make it unique unto itself. For a financial aid officer, his/her discretion and judgment become his/her most valuable tools. USOE and the Congress have intended that the Federal financial aid system be responsive to the needs of students on as individual a basis as is possible. By vesting so much discretion at the institutional level, the Federal government expects that there will be a certain amount of variance in the practices implemented by institutions. In the following chapters the existence of variance will be continually illustrated. At the present time, there is no general rule which identifies just how much variance is allowable before it results in inequitable treatment of students. This is a question which deserves more attention despite its resistance to empirical study.

7

FINANCIAL NEED ANALYSIS

"YOU CAN'T SELL YOUR TRACTOR TO PAY FOR COLLEGE" [1]

INTRODUCTION

Application for Aid

Need analysis--the determination of the student's expected total family contribution--is a process which has been subject to intensive review and revision by the U.S. Office of Education as well as by the financial aid community in general. The student and/or his/her family begin the need analysis process by completing financial aid application forms. Individual institutions may require students to complete any number or combination of financial aid applications supplied by private need analysis services, BEOG, states, foundations, other government agencies, or the institution itself. The choice of which forms institutions require from aid applicants will largely be a function of the type of aid programs offered by the school. For example, institutions which participate only in the Basic Grant program will have no use for any applications other than the BEOG form.

The Basic Grant Program has a need analysis methodology all its own. Students applying for a Basic Grant must have the application processed directly by the U.S. Office of Education (USOE) and may apply by completing a special Basic Grant Application Form. For the past few years, USOE has been processing Basic Grant applications from information abstracted from financial aid forms submitted to the College Scholarship Service (CSS), the American College Testing Program (ACT), and the Pennsylvania Higher Education Assistance Administration. A student who completes either the CSS Financial Aid Form (FAF) or ACT Family Financial Statement (FFS)--the most commonly used forms--may, by checking the appropriate box, automatically apply for a Basic Grant award. This is known as the "Multiple Data Entry System."

---

[1] A comment offered by a Director of Financial Aid at a state university in the Southwest.

Most institutions rely on the CSS/FAF or ACT/FFS to calculate student eligibility for them. The FAF or FFS is returned to the school in the form of a "need analysis report" (NAR). This report details the student's expected total family contribution and estimates his/her eligibility for BEOG. Although both ACT and CSS operate roughly under the same guidelines for need analysis, they employ different application forms. Basic Grant eligibility is computed according to strict Federal regulation (see the Federal Register 7/26/79, Part V, Department of Health, Education and Welfare--45 CFR Part 190). Students receive a Student Eligibility Report (SER) by mail directly from BEOG. The SER notifies the student that he/she may or may not be eligible to receive a BEOG award. Eligible students then bring the SER to their school's financial aid office, where an aid officer then sets the BEOG award level according to the USOE-published BEOG payment schedule. This schedule considers the student's cost of education, full- or part-time status, Student Eligibility Index, and the half-cost limitation. The half-cost limitation sets the maximum BEOG award at no more than one-half of the student's total cost of attendance--the BEOG budget. The Student Eligibility Index (SEI) is the calculated number, printed on the SER by the USOE application processor, which identifies the degree of the student's need, in accordance with the BEOG methodology. The student's Basic Grant award is inversely related to the size of the student's SEI. A student with an SEI of zero ("0") is eligible for the maximum Basic Grant award, while a student whose SEI is over 1,600 (for the 1978-79 academic year) is deemed ineligible to receive a BEOG.[2] The budgeting procedure to be employed in calculating Basic Grant awards is also specified by statute (see Chapter 8).

Family Contribution

For the financial aid officer, the key to judging the need of an individual student, relative to other applicants for aid, is that student's calculated Expected Family Contribution (EFC). In their attempts to allocate a limited pool of financial aid resources, many schools use the EFC as a means of ranking students with respect to need--the lower the EFC, the needier the student is considered to be.

When schools receive the appropriate need analysis report, they are given the opportunity to review the calculated EFC and adjust it as they deem necessary (20 USC 107062(a)(2); 45 CFR 176.12(c), 176.12(f)). This may be done in cases where the financial aid officer believes that the student is experiencing "unusual circumstances" (CSS, ACT, and a number of other aid applications allow students to indicate the existence of such circumstances). For students who file as dependents, the bulk of the EFC is generally comprised of "parental contribution" (PC) since parents are, in most cases, the prime sources of support for these students. This portion of the EFC has colloquially been referred to as the "parents' fair share" contribution to a dependent's education. Thus, for students who file as dependents, this adjustment is usually incorporated in the parental contribution (PC) segment of the EFC.

Negative Parental Contribution

In the course of a student's need analysis, it is possible for the resulting expected parental contribution to be expressed as a negative dollar amount. This indicates that, in effect, the parents of this student will, themselves, need to be subsidized in order for that student and his/her family to meet the costs of a postsecondary education.

---

[2] For 1979-80, the maximum Basic Grant was raised from $1,600 to $1,800. As such, students assigned SEIs ranging from zero to 1,800 were eligible to receive BEOG awards.

The effect of a negative PC can be readily illustrated by inserting this figure into the formula for determining gross financial need. This example assumes that the other areas of expected contribution total less than the negative PC so that the EFC is less than zero:

(Student Budget) - (-EFC) = Need

The result of subtracting this negative number from the student budget is to add the amount of the negative contribution to the budget amount. In this instance, the total need of the student will be greater than the student's total expense budget. It should be noted that a majority of schools do not utilize negative parental contributions and instead set a negative PC equal to zero. (See the Results portion of this chapter for further elaboration on this matter.)

Benchmark Figures

In order for a specific need analysis system to be considered as an appropriate means for computing student eligibility for Campus Based assistance it must conform to standards established by USOE. These standards are contained in the "benchmark figures" published yearly in the Federal Register by the Commissioner of Education. Benchmark figures are comprised of sample cases of student aid applicants and their resulting expected family contributions. Need analysis systems which seek USOE certification must calculate family contributions within $50 of the USOE benchmarks in a majority of cases. In this manner USOE maintains consistency in need analysis without assuming direct control of the assessment of student eligibility for Campus Based funding.

THE ISSUES

Need Analysis Formulas

The term "need analysis" itself, reflects some of the confusion surrounding this process. As was outlined in the preface to this section, a calculation of the expected family contribution is only one facet of the process of determining a student's level of need. Students, financial aid officers, USOE, and the Congress have all, at one time or another, expressed dissatisfaction with the computation formulas which are the bases for arriving at an expected family contribution level.

As part of the hearings on the Reauthorization of the Higher Education Act held in May 1979, Constance White, Director of Undergraduate Financial Aid at Yale University, offered the following thoughts on the issue of adherence to the calculated family contribution:

> It must be realized that the contributions calculated by the major financial aid services provide a consistent and equitable calculation applied to information submitted on the need analysis input documents. The resulting contributions should be considered as reliable recommendations but only as recommendations. They are a guide to judgment but not a substitute for the review and appropriate adjustment by knowledgeable financial aid administrators.
>
> The information submitted to the financial aid services is frequently supplemented by documents submitted directly to the financial aid office. In addition, the aid administrator may request clarification of the initial data submitted or a tax return in support of the application. The need analysis system serves a variety of institutions and agencies and provides contribution figures on a wide range of students and their families. Only through careful review by financial aid administrators can the complexities faced by individual students and their families be incorporated into the final contribution figures. (Emphasis added.)[3]

Ms. White raises the concern that the financial information from which the expected family contribution is derived may not always be pertinent to the situation of every student in every possible circumstance. In the case of independent students, it has been argued by others that basing the student's contribution on his/her income from the prior year is not a valid means of assessing a student's ability to contribute while enrolled in a postsecondary institution. Joel Packer, then the Legislative Director of the United States Student Association, explained to William Ford, Chairman of the House of Representatives' Subcommittee on Postsecondary Education, Committee on Education and Labor, that independent students who have "stopped out" of school and worked full time for a year or more are being asked to contribute financially to their education and support based on earnings which they will, most likely, not be able to duplicate while enrolled full-time in a postsecondary institution. Mr. Packer and other student advocates asked, at the time, that,

---

[3] Constance White, "Overview of the Need Analysis System and Uniform Methodology," in the U.S. Congress, House, Committee on Education and Labor. Hearings on the Reauthorization of the Higher Education Act. Washington, D.C., May 1979, Vol. 3, p. 119.

> ...the student aid officer of the institution be given the ability to determine whether, in fact, the previous year's earnings was related to what the present year's earnings would be.[4]

The Results portion of this chapter will outline some information which institutions provided on the frequency and manner of adjustments made to calculated family and parental contributions.

Applications for Aid

As has been touched upon in previous sections of this report, and will be further considered in Volume II, USOE is concerned with maintaining a certain level of consistent practice and equitable treatment of students among the great number of institutions which participate in the Federally sponsored aid programs. One component of this effort has centered on the forms which students are required to file when applying for aid. Currently, USOE, in cooperation with others in the financial aid community, is working towards adoption of a "common form" in an attempt to further standardize the need analysis process.

---

[4] U.S. Congress, House Committee on Education and Labor, Hearings on the Reauthorization of the Higher Education Act. Washington, D.C., May 1979, Vol. 4, p. 95.

Reaching this goal will require a major effort when viewed in terms of the large number of need analysis services currently employed by various postsecondary institutions.

ACT and CSS have worked closely with USOE in this effort to develop a common need analysis system. The data clearly indicate, however, that there are a number of other systems which are in general use today. With the exception of BEOG, the Internal Revenue Service, the Illinois State Scholarship Commission, and the Pennsylvania Higher Education Assistance Administration, the need analysis agencies commonly used by institutions are privately owned and operated. Many of the institutions which subscribe to these systems do so in order to avail themselves of the wide range of additional services which they can provide to schools. In addition to performing need analysis computations, some of these agencies also provide the financial aid office at a given school with assistance in packaging, record keeping, report preparation and compliance with state and Federal regulations, as well as assistance with the preparation of eligibility and funding applications.

For the 1980-81 academic year, BEOG, ACT, and CSS are employing a simplified aid application form in hopes of taking some of the mysteries out of the application process. The ACT and CSS versions of the aid application will also be more similar than in the past.

Computing Eligibility

A student's financial condition will be subjected to several need analyses depending on the types of aid for which he/she applies. USOE prefers that eligibility for the Campus Based programs be computed in accordance with a uniform methodology. Individual states practice their own specified versions of need analysis, as do the other distributors of financial assistance.

USOE has taken steps to standardize the need analysis procedures as applied to the Campus Based programs. The establishment of a "uniform methodology," by which privately operated need analysis services calculate student need, was prompted by suggestions made by the Keppel panel and others. In this manner, USOE has moved towards ensuring that students receive equitable treatment in the assessment of their eligibility for the Campus Based programs. The components of this assessment process have also come under public scrutiny. A most common topic of discussion has been the amount of the asset protection allowance. Whether a family should be expected to draw liquid resources from nonliquid assets (e.g., homes, farms, businesses, machinery) is the question being raised by many aid officers, as well as by aid applicants. USOE is seeking to strike a balance between the two sides by attempting to arrive at a compromise contribution which can be expected to be borne by the student and/or his/her family. Another point of controversy has been the treatment of independent students with regard to the calculation of their need. Some institutions are wary of the legitimacy of some students' claims to independent status and will request the submission of parental income data from these students, as if they were dependents. Others will request additional documentation of data reported by independent students. At the other end of the spectrum, certain institutions take special steps to adjust the contribution expected from independent students, feeling that they are more prone to be placed in exceptional financial circumstances. Other facets of need assessment, such as allowances for other members of the family enrolled in postsecondary education institutions, consideration of social security income as a resource, and the percentage of nontaxable income used towards a student's education, have been, and are currently being, debated by students, aid officers, and government officials.

RESULTS

Use of Need Analysis Systems

Although there are a wide number of available need analysis systems, institutions are most likely to rely on one of three systems. Table 7.1 clearly indicates the concentration of usage of the Basic Grant, College Scholarship Service, and American College Testing Program as the prime processors of aid applications. The number of multiple responses indicates that many institutions will recognize need analyses computed by more than one service.

TABLE 7.1: PERCENT OF INSTITUTIONS USING VARIOUS NEED ANALYSIS SYSTEMS: ACADEMIC YEAR 1978-79

	Percent of Total Respondents[1]
Basic Grant Application	36.0
CSS (Financial Aid Form)	70.9
ACT (Family Financial Statement)	42.4
Income Tax System	6.4
Student Assistance Financial Evaluation (SAFE)	1.2
Student Aid Management	0.0
Financial Analysis Services (FAS)	1.7
Illinois State Scholarship Commission	0.0
Functional Solution, Inc.	0.0
Monroe, The Calculator Company	1.7
J. S. Jones and Associates	0.0
Pennsylvania Higher Education Assistance [2]	4.0
EMI [2]	0.6
Donley Richardson [2]	0.6
Hand Calculation [2][3]	2.3
Institutions Reporting:	172

Source: Institutional Site Visit Survey.

[1] Column will total more than 100% due to the number of institutions which employ multiple need analysis services.

[2] Not specified as a response in the survey instrument.

[3] The term "hand calculation" is applied to institutions which collect financial aid data (in some instances using the forms supplied by the need analysis services) and calculate eligibility based on their own methods of determining need.

Table 7.2 further elaborates on the distribution in use of the most commonly employed need analysis systems. The wide reliance by schools on the College Scholarship Service's financial aid services is evidenced most strongly at 2- and 4-year public and private institutions. Proprietary institutions are more prone to rely on the Basic Grant application and the Student Eligibility Report (SER) to determine student need. This is due to the number of these institutions which do not participate in the Campus Based aid programs. These schools do not need the more sophisticated computations provided by the private need analysis services. The use of the "other private need analysis services" appears to be concentrated in the 4-year public and proprietary institutions.

TABLE 7.2: PERCENT OF NEED ANALYSIS SYSTEMS IN USE BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79[1]

	Institution Level and Control				
	4-Yr Public	4-Yr Private	2-Yr Public	2-Yr Private	Proprietary
College Scholarship Service	79.6	88.2	66.7	80.0	38.5
American College Testing Service	55.1	43.1	30.0	50.0	38.5
Basic Grant	22.4	27.5	40.0	60.0	73.1
Income Tax System	8.1	3.9	3.3	0	15.4
Hand Calculation	2.0	2.0	6.6	0	0
Other Private Services [2]	8.1	2.0	3.3	10.0	11.5
PHEAA System	2.0	0	0	0	0
Other - not specified	0	3.9	0	0	3.8
Institutions Reporting	49	51	30	10	26

Source: Institutional Site Visit Survey.

[1] Percentages reflect the multiple response potential of the question.

[2] See Table 7.1.

Though they represent opposite ends of the educational spectrum, both of these institution types indicate that they require the additional services which thse other private sources can provide.

Adjusting the Expected Contribution

Table 7.3, below, presents data on the proportion of institutions which adjust the parental contribution portion of the calculated EFC. Of the institutions responding to this inquiry, 91 percent indicate that they routinely adjust at least some portion of calculated parental contributions. Of these schools:

- more than one-third (37%) adjust less than five percent of calculated PCs,
- 51 percent adjust less than 10 percent of calculated PCs, and
- 79 percent adjust less than 25 percent of calculated PCs.

TABLE 7.3: PERCENT OF CALCULATED PARENTAL CONTRIBUTIONS ADJUSTED: ACADEMIC YEAR 1978-79

Percent of Parental Contributions Adjusted	Adjusted Percentage
Do not adjust	8.6
1-5	28.4
6-10	14.2
11-15	8.6
16-20	13.6
21-25	7.4
26-30	9.9
31 and over	9.3
Total	100.0
Institutions Reporting:	162

Source: Institutional Site Visit Survey.

Only 11 institutions indicated the existence of any set policy regarding the treatment of negative parental contributions. Of these, the majority adjusted the negative PC to zero. These schools, totalling 7 of the 11, have set a policy whereby they will not attempt to meet need greater than the student expense budget total. Three of the remaining respondents indicate that they adjust the aid package to include more nonreturnable aid for students with negative expected parental contributions; the fourth case employs a more general approach and simply considers such students to be of exceptional need.

TABLE 7.4: CIRCUMSTANCES WHICH PROMPT SCHOOLS TO ADJUST THE CALCULATED FAMILY CONTRIBUTION: ACADEMIC YEAR 1978-79

Reason for Adjustment	Percentage Of Respondents[1]
Special or changing family circumstance	69.4
Error on financial aid form (by student and/or in processing)	21.0
Medical- or handicap-related expenses	10.5
Assets need to be recalculated	9.7
Summer earnings expectation needs adjustment	4.0
Miscellaneous	8.1
Institutions Reporting:	124

Source: Institutional Site Visit Survey.

[1] Column will total more than 100% due to the number of institutions which report multiple reasons for adjustments.

With regard to adjusting the expected family contribution calculated for student aid applicants, a total of 76.5 percent of the respondents (124 schools) indicated that they did indeed have occasion to make such an adjustment, while 23.5 percent (38 schools) replied in the negative. Table 7.4 is based solely on these 124 schools. Those institutions which indicated that they do make this adjustment gave a variety of reasons for this exercise. The vast majority (69.4%) consider that special or changing family circumstances (e.g., loss of employment; divorce; illness; radical shift in earning capacity) warrant a readjustment of the expected family contribution. Approximately one-fifth of the schools (21/%) note that errors in either the processing of, or the family-reported data on, the financial aid form can result in an erroneous family contribution expectation. Schools also indicate a willingness to adjust the calculated family contribution in order to: compensate for medical- or handicap-related expenses (10.5%); readjust the expected contribution from assets--notably from home, business and farm holdings--(9.7%); redefine the expected contribution from the student's summer earnings (4%); and for a variety of miscellaneous reasons (i.e., high transportation costs and exceptional individual need). When further questioned, those schools which do adjust family contributions, 83.1 percent (103) responded positively when asked whether they change this value for other students with similar circumstances; 9.7 percent (12) gave a flat negative response; and 7.2 percent (9) claimed to adjust only in some cases.

SUMMARY

For the student, need analysis is the beginning of his/her interaction with the aid distribution process. The relative degree of need which the institution assigns a student will bear quite heavily on that student's eligibility for financial assistance--Federal and non-Federal. As has been illustrated, there are a number of need analysis systems currently in use across the nation. The Expected Family Contributions which result from computations by these various services should not differ significantly, however, due to USOE's accreditation of these services. Variation in the treatment of students can, and does, occur when the institution exercises its option to adjust the EFC or the parental contribution component of the EFC. As with most phases of the Campus Based programs, USOE has intentionally allowed institutions the freedom to interpret, within specified guidelines, the outcome of need analysis formulas designed to serve all postsecondary institutions and students.

8

DETERMINING THE COST OF EDUCATION:
STUDENT EXPENSE BUDGETS

INTRODUCTION

Institutional financial aid offices are charged with the responsibility for estimating the total cost of education for student aid recipients. Working within Federal guidelines, local financial aid officers must establish budgets used in the calculation of Basic Grant and Campus Based student aid awards. As illustrated in Exhibits IV.2 and IV.3, the cost of education is a prime determinant in establishing a student's level of need. Expense budgets established for use with Campus Based programs must also be tailored to meet the actual costs to be incurred by students and must recognize that all students cannot live on the same budget. The National Association of Student Financial Aid Administrators (NASFAA) presents the following as an overview of institutional responsibilities concerning the preparation of student budgets. This discussion is based on the report of the NASFAA-sponsored National Student Expense Budget Conference held in March 1977:

> As student budgets are contemplated, an institution must identify and develop the economic standards which should be reflected within its student budgets. Thus, the appropriate standard of living must be defined and the general guidelines which reflect this standard must be identified for each expense component.
>
> The budget should provide for reasonable costs (that is moderate/modest but adequate) necessary to enable a student to attend a post-secondary educational institution during an academic year or proportionate period thereof. The budget should provide for the

essential goods and services necessary to permit the individual student to devote his/her primary energies to the pursuit of an acceptable educational objective.[1]

Basic Grant Budget Regulations

As with other aspects of the Basic Grant program, the U.S. Office of Education (USOE) has elected to impose a rigid structure on the development of budgets which are used in the calculation of Basic Grant awards. This unique procedure is mandated by statute:

> 190.51 General attendance costs
>
> Except as provided in Section 190.52 through 190.55, the following are recognized as a student's costs of attendance:
>
> (a) Tuition and fees:
>
> (1) The amount charged to a full-time student by the institution for tuition and fees for an academic year.
>
> (2) Tuition and fees may include travel costs within the United States required for completion of a course of study, but not for travel between the student's residence and the institution, or for travel outside the United States.
>
> (b) Room and board:
>
> (1) The amount charged the student by the institution under a contract for:
>
> (i) Room and board for the academic year,
> (ii) Room, plus an allowance of $625 for board for the academic year, or
> (iii) Board, plus an allowance of $475 for room for the academic year,
>
> (2) If no contract is entered into for either room or board, an allowance of $1,100 for the academic year whether or not the student lives with a parent, or
>
> (3) If an institution enters into a contract with the student for room and/or board for less than seven days a week, a daily rate will be computed based upon the standard allowance and used for those days not covered by the contract. This amount will be added to the costs established under clauses (i), or (ii), or (iii) of subparagraph (b)(1), whichever is applicable.

---

[1] National Association of Student Financial Aid Administrators, Fundamental Financial Aid Self Learning Guide (Washington, D.C., NASFAA: 1980).

(c) An allowance of $400 will be made for books, supplies, and miscellaneous expenses for the academic year.

(d) An institution may not charge a student who receives a Basic Grant more than it charges a student enrolled in that same program who does not receive a Basic Grant.[2]

Even with this mandated procedure, however, the Basic Grant budget is likely to vary from institution to institution as a result of differences in associated costs, specifically the charges for tuition and/or fees and on-campus room and board. In reality these can be viewed as "fixed" costs, in the sense that the local aid officer cannot exert discretion over the dollar amounts he/she affixes to them. They are predetermined by the applicable institutional governing authority.

Developing Campus Based Budgets

In developing Campus Based budgets, institutions are again confronted with the existence of fixed costs. However, there is a great deal more freedom to supplement these fixed costs as the total budget is constructed. In fact, the financial aid officer may include a wide range of cost items in the budget including the anticipated expenses for tuition and fees; room (housing) and board (food)--which, for the purpose of this study, have been treated as a combined cost; transportation (commuting as well as home visitation costs); and other personal expenses including, but not limited to, books, medical, laundry, clothing, insurance and recreation costs. The use of these items as the basis for budget preparation is derived from the Title IV regulations concerning the definition of "cost of education" as applied to the Campus Based aid programs. Section 176.11 reads:

> The amount required to enable a student to pursue his education at an institution of higher education includes amounts charged for tuition and fees, the amounts charged by the institution or the expenses reasonably incurred for room and board, books, supplies, transportation, miscellaneous personal expenses, and expenses related to maintenance of a student's dependents. In the case of a student engaged in a program of study by correspondence only his costs of

---

[2] Federal Register, Vol. 44, No. 18 - Thursday January 25, 1979.

> tuition and fees shall be recognized as a cost of education for the purpose of this part; provided, however, that travel and room and board costs incurred specifically in fulfillment of a required period of residential training may be considered a cost of education for such a student.[3]

Once the financial aid officer determines which categories of expenses he/she will allow for in the established standard, the next task is to assign specified costs to each item. The derivation of these cost figures, particularly the methodology employed, is an area of great controversy within the financial aid community. A financial aid officer must seek a balance between the realities of student circumstance, local market conditions, student desires and needs, and the usefulness of the resulting budget as a base for developing the aid package. Moreover, while it is true that every institution establishes some sort of standard student budget this does not necessarily mean that these schools adhere strictly to them. For some institutions the standard budgets provide a base from which to build realistic expense budgets, reflective of the life circumstances of individual students. In other cases, schools set out strict parameters within which adjustments to the budget may be applied.

THE ISSUES

Measuring Student Costs

> Just as one would shop around for an automobile, a house, or a doctor's services, so too do families compare costs of attendance at several institutions under consideration. In order to encourage rational, informed choices, accurately measured and reported student expense budgets need to be provided to potential students and their families.[4]

Alan Wagner's emphasis, above, on the need for "accurate" student expense budgets is a theme that has been carried out in a number of discussions of budgeting practices. From these discussions have evolved some differing approaches to preparing student budgets. Wagner groups these approaches into three categories. "These are: (1) use of secondary sources; (2) use of a student survey; (3) use of student expense diaries."[5]

---

[3] 20 USC 1070b.

[4] Alan Wagner, Cutting the Coat to Fit the Cloth: Student Expense Budgets, (Washington, D.C.: College Entrance Examination Board, 1976), p. 8.

Secondary sources, which may include local living cost breakdowns compiled by the Bureau of Labor Statistics, the Department of Agriculture or other local government agencies, may provide general keys as to the overall anticipated cost of living in a given locale. Many schools also rely on the publications provided by the American College Testing Program (ACT) and the College Scholarship Service (CSS) which estimate the costs of attendance at their member institutions as a starting point in budget preparation.

The Midwest Association of Student Financial Aid Administrators Invitational Student Expense Budget Conference concluded that schools would be best-advised to utilize a number of data-gathering techniques in order to arrive at the most accurate budget totals. Specific recommendations included the conduct of a survey of student estimated expenses in order to get a handle on students' perceptions of their own cost of living. An even more exacting practice is to require students to maintain "student expense diaries." These diaries can provide a more detailed picture of actual student expenditures. The conference attendees caution, however, that the implementation of sophisticated techniques for expense data-gathering can be a costly and time-consuming project for the individual institution. No matter which method is chosen, schools must also recognize their responsibility to update the data before the start of each new academic year to reflect current economic trends.

Wagner reminds his readers of the true scope of the debate surrounding the method of preparing student expense budgets: "It is important to keep in mind that the real issue here is that these different methods (of obtaining cost data) can lead to different cost estimates for the same item."[6] This will be worth keeping in mind when considering the extent of the variance in the budget information provided by the institutions.

---

[5] Ibid., p. 22.

Budgeting Ethics and Equity

As will be seen in the results portion of this chapter, there exists a high degree of variation in the total budgets which institutions establish. This raises a number of issues concerning their utility. Are schools developing these budgets purely as a measure of student cost or are there other possible rationales for a particular mode of budget preparation? This issue is specifically addressed in the final report of the joint "Midwest Association of Student Financial Aid Administrators (MASFAA)/USOE Invitational Student Expense Budget Conference" held in April of 1976. In a section which considers the use of standardized student expense budgets, the authors warn:

> ... the process of budget construction may easily be used for purposes which do not serve the needs of students. For example, student budgets should not be established for manipulative or inconsistent purposes, such as rationing of funds, justifying large fund requests, showing that the full need of students has been met, or recruiting students by publishing misleading institutional costs. Rather, the aims of expense budgets should be to measure educational costs accurately, to serve as devices for administering aid efficiently and responsibly, and to insure basic equity among members of a defined group.[7]

This report goes on to further address the question of equity in budget preparation. Their basic conclusion is that a system which allows for such a wide range of approaches to budget preparation in turn leads to broad variance in the actual budgets which are assigned to students. Moreover, under such an unbridled system, students cannot be guaranteed that they will receive equitable treatment no matter which postsecondary institution they choose to attend. As has been noted previously, the assigned budget is an integral factor in the determination of a student's "need" and, therefore, the amount of financial assistance that student may potentially receive.

---

[6] Wagner, ibid., p. 22.

[7] Midwest Association of Student Financial Aid Officers/United States Office of Education. Invitational Student Budget Conference: Working Papers, (Washington, DC.: MASFAA/USOE, 1976), p. 5.

In addition to consistency of treatment, there is another facet to the issue of equitable budgeting practices -- that budgets should accurately reflect the costs which a student will be expected to bear during the academic year. The National Association of College and University Business Officers (NACUBO), in its publication, The Management of Student Financial Aid, stresses the point that "reasonable budgets are needed to calculate an accurate need figure for the student."[8] The comparison of calculated student expense budgets with the "actual" expenses incurred by students is a complex area of study. As can be deduced from the previous discussion of the methods used to determine specific cost items, there is no single, unimpeachable source which can provide the basis for such a comparison. Thus, the limited scope of this study will not permit it to pass judgment on the "reasonableness" of the specific cost items which comprise student budgets.

The use of the terminology to describe some of the phenomena asociated with budgeting issues has been another topic of discussion. NASFAA has this to offer on the term "reasonable":

> As this discussion proceeds, it may become necessary to employ different words to connote the same meaning. This need arises, in part, out of the uses of the word "moderate" and the phrase "modest but adequate," which are not interchangeable even though they sound similar. Webster's New World Dictionary and Student Handbook provides for a choice of definitions which include the following: moderate...reasonable or ordinary...modest...simple or reasonable...not extreme... The common denominator of these definitions is reasonable.[9]

---

[8] National Association of College and University Business Offices, Management of Student Aid (NACUBO: Washington, D.C., 1979) p. 31.

[9] NASFAA, ibid., p. VI. 4.

RESULTS

Standard Budgets Adopted by Institutions

The figures contained in Table 8.1 are the average budget figures which institutions have established for four basic types of students. Presenting these figures minus tuition and fee charges provides a clearer picture of the discretionary portions of these budgets and avoids the confusion which may result from attempting to compare budget totals which also include the differentials in tuition between public and private institutions. Additionally, the mean figures expressed below do not, in and of themselves, indicate the high levels of standard deviation within each category. The budget categories listed in Table 8.1 were chosen in order to provide a picture of the treatment of the vast majority of postsecondary students. Also, these budget categories were the ones which most institutions indicated that they employed.

TABLE 8.1: STUDENT BUDGET TOTALS FOR FOUR STANDARD BUDGETS, BY LEVEL AND CONTROL OF INSTITUTION NET OF TUITION AND FEES: ACADEMIC YEAR 1978-79

	Type of Budget			
	Basic[1/]	On-Campus	Independent	Married
ALL INSTITUTIONS	1888	2375	3299	5388
4-Year Public	1869	2382	3053	5075
4-Year Private	1749	2510	3466	5375
2-Year Public	1970	2465	3536	5601
2-Year Private	1791	2323	3842	5652
Proprietary	2081	2263	3030	5764
Institutions Reporting:	154	76	86	83

Source: Institutional Site Visit Survey.

[1/] Basic budget: single, dependent, lives off-campus (at home), full-time, nine-months, state resident (if applicable to tuition); On-Campus: same as basic budget except student lives in on-campus housing; Independent: same as basic budget except student is independent; and Married: same as basic budget except student is married.

By and large, institutions appear to be the most frugal in their budgeting of students who are dependent upon their parents for support and housing. The difference in the total budget between these students and the same types of students who chose to reside on-campus ranges up to $761 at proprietary schools and $532 at 2-year public schools. This could cause the student, and his or her parents, to conclude that taking up residence on-campus is quite a desirable option since it appears that the institution will provide financial aid to meet all of these costs, while they have placed a strict limit on the costs associated with maintaining that student at home.[10/] Aid officers may be taking the view that the actual costs to the parent of maintaining a child while he/she attends a postsecondary school are limited, and not all that much above the costs which would normally be incurred by that family. For example, it is a contention that charges for rent, mortgage, utilities or household support may not vary at all, or differ only slightly, due to the presence at home of one child.

The budget totals for the "basic" budget category provided by institutions range from $250 to $3,840; those for dependent students residing on-campus range from $1,200 to $3,530. This wide-range variance, which does not include differences in tuition costs may, in fact, be more significant than the average figures. The mere fact that these totals could vary by up to $3,500 is a clear indication that institutions are not adhering to any set standard in developing their budgets.

Similarly, the budget totals for unmarried independent students do not reveal the existence of any uniform standard of treatment. The total range of the budgets, net of tuition, which schools assign to independent students reveals even more variance. These budgets extend from a low of $160 all the way up to $6,159. The budget totals for married students also represent a wide array of perceptions as to the level of support

---

[10/] This, of course, assumes that the school will package aid to meet the full cost—an issue which will be addressed in Chapter 9.

which they require. Although the range of means stretches over $700, the true degree of variance is revealed in the $7,838 range in the 83 examples of married student budgets submitted by institutions.

There are, however, a few patterns of consistency which are evident from this table. It is clear that most institution types assign higher total budgets to independent students than dependent students; the exception being 2-year private schools whose on-campus dependent budget is higher than the independent budget. In comparing the independent student's budget (net of tuition and fees) to the married student's budget total one also finds some degree of consistency. At 4-year public, 2-year public and 4-year private schools, the married student budget is approximately 160 percent of the independent budget totals.[11] At 2-year private schools it represents approximately 147 percent of the independent total; and proprietary schools allow married students over 190 percent of the independent student's budget. The mean difference between these two budget totals is 163 percent. This comparison of the budget totals for two different student types points out the question of whether schools establish budgeting procedures which apply to all student-types. In other words, do aid officers who develop "generous" budgets for one category of student offer the same generosity to other student types, and, as an adjunct to this, do aid officers which assign more frugal cost allowances also apply these principles across all budget categories and student types?

Detailed Comparisons of "Basic" Student Budgets

In addition to totals, nearly all of the institutions in the study provided detailed data on the composition of their "basic" student budgets (Table 8.2). As previously noted, this category is defined as the single, dependent student residing off-campus with his/her parents and attending school full-time over a nine-month academic period.

---

[11] 166 percent for 4-year publics, 155 for 2-year publics, and 158 percent for 4-year privates.

TABLE 8.2: BASIC STUDENT BUDGET COMPONENTS (IN DOLLARS), BY TYPE AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79

	ALL SCHOOLS	Institutional Level and Control				
		4-Year Public	4-Year Private	2-Year Public	2-Year Private	Propri-etary
Tuition (for residents)	1324	609	2398	291	1843	1592
Room & Board	830	902	815	754	1154	702
Transportation	257	272	181	347	274	266
All Other	634	672	585	621	484	726
Budget Total[1]	3042	2454[2]	3979	2012[2]	3755	3252
Institutions Reporting:	169	49	51	31	10	28

Source: Institutional Site Visit Survey.

[1] Note: Components will not always sum to exact totals due to rounding and missing data.

[2] For nonresidents at state schools, add $990 in additional tuition charges if a 2-year school; add $1823 if a 4-year school. These average nonresident surcharges are based on 14 and 29 cases, respectively.

A more simplified approach to viewing the components of the basic budget is to examine the proportion of each budget which is comprised of indirect (or non-tuition) expenses. Table 8.3 presents these proportions for the basic budget by institution type. For public institutions the percent of the budget devoted to indirect costs is expressed for students who must pay in-state as well as out-of-state tuition.

TABLE 8.3: PERCENT OF INDIRECT (LIVING) COSTS IN BASIC BUDGET, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79

	ALL SCHOOLS	Institutional Level and Control				
		4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Excluding non-resident tuition surcharge	56.6	75.2	40.8	85.6	50.9	52.1
Including non-resident tuition surcharge	N/A	50.3	N/A	59.3	N/A	N/A
Institutions Reporting:	169	49	51	31	10	28

Source: Institutional Site Visit Survey.

The above percentages can be interpreted as indicating the amount of the student's total cost which is spent on his or her support. The remainder of the money is returned directly to the institutions in the form of tuition and fees. Consider the implications of this split: at four-year private schools nearly 60 percent of the money invested in a higher education is given directly to the school. Students at these schools who are financing their education through one form or another of financial aid are able to utilize only 41 percent of this aid for living expenses. The high cost of tuition at these schools results in their receipt of a larger portion of the aid awarded to students and, in turn, makes it inevitable that these schools will receive a disproportionate share of the total appropriation of financial aid dollars (see Volume II of this report).

In general, Table 8.2 illustrates that there is considerable variance in the costs which schools assign to the components of the "basic" budget. Although some schools may assign high dollar amounts to one category (e.g., room and board), they do not necessarily assign high values to all of the components. 4-year schools seem to assign higher dollar values than 2-year schools, with proprietary schools occupying a middle ground, but there are exceptions to this rule.

Detailed Comparisons of Other Standard Budgets

Additional budget data provided by institutions (attached as an appendix to this chapter) also provide a comparison of their practices regarding the budgeting of other student types. For example, the costs for room and board allowed for married students contain quite a bit of variance (Table 8.4):

TABLE 8.4: ROOM AND BOARD ALLOWANCE FOR MARRIED STUDENTS (IN DOLLARS), BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79

	ALL SCHOOLS	Institutional Level and Control				
		4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Room and Board Allowance for Married Students	2995	3038	2940	3172	1911	3916
Institutions Reporting:	88	29	24	16	3	11

Source: Institutional Site Visit Survey.

Married students attending a 2-year private school must maintain their room and board expenditures at a level some 70 percent below their counterparts at a 4-year private school. Married students at proprietary institutions seem to receive the greatest flexibility in their room and board costs. Also noteworthy is the sharp difference in room and board costs for married students at 2-year public versus 2-year private schools (approximately 60 percent).

This difference surfaces again in the treatment of non-married independent students. At 2-year public schools, independent students are budgeted for $2,116 for room and board charges while the same student would receive only $1,208 if attending a 2-year private school; again a 60 percent differential. Interestingly, this trend is turned topsy-turvy when examining the budget for the dependent student living at home. In this instance 2-year public schools allow a full 70 percent less for room and board than the 2-year private schools ($754 versus $1,154).

Once again, the ranges of responses which the institutions supplied provide a good indication of the variance within these budget components. In developing their "basic budget" the costs which schools assign to room and board range from $150 to $2,995; for transportation the cost estimates stretch from $20 through $985; and for the "other" category of expenses from 0 to $3,623. There are some possible explanations for this apparent absence of equity in budgeting practices. First, aid officers must attempt to develop budgets in line with the realities of the local student community which they serve. This would include having a general knowledge of the regional cost of living as well as the demography of the student body. For example, a student body which is comprised primarily of nontraditional and/or independent students will have differing needs than a more homogeneous, dependent student population. Second, there is a general lack of consistent definitions for the terms used to label the budget components. For instance, the interpretations which schools apply to the term "transportation" can vary greatly depending on a number of local considerations. For students residing off-campus, the transportation budget is intended to cover the costs of the students' commuting to and from school. This cost may vary according to the geographic location of the school. At schools situated in urban areas the cost of commutation may be rather modest--enough to cover daily round-trip bus or rail fares--while at schools in predominantly rural locations, the cost of commuting may be quite high--students may be traveling from within a hundred or more mile radius of the campus. Some schools also include the cost of one, two or more round-trip visits to the student's home during the academic year as part of their transportation allowances. The amount of the transportation allowance will thus be a function of the individual student, the location of the institution and the aid office's policy on home visitation.

Finally, the variance in the costs assigned to "other" expenses included in the student budget can be largely attributed to the sub-categories of expenses which aid officers may include in this component. Among the types of expenses which schools indicate that they will include as "other" expenses are: books, medical care, dental care, insurance, recreation, entertainment, clothing, laundry, on-campus meals, and more. Not only will the number of these items which schools include in their budget vary, but the dollar amounts which they allow for will also be subject to the discretion of the aid officer.

Adjustments to Standard Budgets

Use of Student Estimates to Adjust Standard Budget

At a number of institutions, students are required to submit estimated expense budgets of their own. In some of these cases the financial aid office(r) will use this budget as the basis for preparing the individual student budget. In other instances these budgets are used as information-gathering devices useful in the preparation of the institution's standard budgets. The following table indicates that institutional policies regarding student-submitted budgets can be classified into five general areas of practice. It should be noted that a large number of institutions indicated that they subscribed to more than one of these procedures; thus the percentage column totals to more than 100 percent. In addition to the cases cited below, two institutions (1.3%) responded that they used the students estimated expense budget only if it is lower than the costs assigned in the standard budget.

TABLE 8.5: PERCENT OF INSTITUTIONS EMPLOYING VARIOUS PRACTICES WITH REGARD TO STUDENT ESTIMATED BUDGETS: ACADEMIC YEAR 1978-79

Treatment of Student Estimates	Percent of Institutions[1]
If individual categories are higher, they are reduced to the standard even if the overall total is the same as standard.	26.8
If individual categories are higher, they are used as long as the overall total is the same as the standard	26.8
If the student's estimate is lower than the standard and is judged to be unrealistic, the standard is used.	30.6
The standard budget is always used.	28.0
Standard budgets are tailored to the individual student needs; proper documentation may be required.	29.9
Institutions Reporting:	157

Source: Institutional Site Visit Survey.

[1] Percentages reflect the multiple response potential of the question.

Institutions appear to rely heavily on their standard budgets in order to achieve some degree of uniformity in their treatment of students. There also appears to be an inclination among institutions to allow for those special circumstances which may warrant significant adjustments to the established standard budget. Almost 30 percent of the respondents indicated that they are willing to disregard the standard student budget if a student can properly document his/her condition.

The use of budget adjustments is especially crucial as financial aid offices attempt to cope with the increasing number of "nontraditional" students who are persuing postsecondary education. In reviewing the scope of adjustments which schools apply to budgets, one finds adjustments which range from a token, at best, to those which seem to over-estimate the actual expenses incurred for the specific purpose cited.

Students With Dependents

In response to an inquiry as to how they treat the budgets of students with dependents, 122 schools (84.7%) responded that they made additions to the standard budget total while 22 (15.3%) respondents indicated that they did not make such an adjustment.

Analyzing those 122 positive responses can provide a most revealing view of the variance in treatment which students of similar circumstance may receive depending on the institutions which they attend. At 10 schools (7%), students with dependents have their budgets adjusted according to their individual circumstance (i.e., student reported needs). The remaining schools indicate that they employ a specific dollar amount to appropriately adjust their budgets. The following table (Table 8.6) is an examination of the dollar adjustments which schools make to allow for the support of one dependent.

TABLE 8.6: PERCENT OF INSTITUTIONS EMPLOYING SPECIFIC BUDGET ADJUSTMENTS FOR STUDENTS WITH ONE DEPENDENT: ACADEMIC YEAR 1978-79

Adjustment	Percent of Responses
Individual Treatment	7.0
College Scholarship Service Standard	10.4
$ 0	15.3
$ 1 - 499	2.8
$ 500 - 699	10.4
$ 700 - 849	22.2
$ 850 - 999	10.4
$1000 - 1249	11.1
Over $1250	10.4
Institutions Reporting:	144

Source: Institutional Site Visit Survey.

It is obvious that institutions are simply not adhering to any standard formula in determining the level of this adjustment. Although 15 (10.4%) schools claim to be using the College Scholarship Service (CSS) standard as their guide, it is quite difficult to determine just what that standard is. In reviewing the CSS literature on budget preparation, the nearest item which one can find to a suggested standard is the information provided on the "national median" budget totals for specified student types. This median is derived from the budget information which CSS receives from its member institutions.[12] For the past two years, CSS has chosen to provide median budget totals for students with an unspecified number of dependents. Prior to this, CSS had broken this category down by the number of dependents. Under the present framework, it is almost impossible for schools to decipher the dollar amount which should be allowed for a single dependent. There is no doubt that this practice has helped perpetuate the varying approaches to this budget issue.

Those schools which utilize specified dollar amounts as their adjustment for the student's first dependent provided quite a variety of figures. The range of adjustments stretched from a low of $235 all the way up to $2042. The median for these responses falls somewhere within the $700-$849 category; $750 being the most frequently quoted figure (in 22 cases). It is probably not a matter of coincidence that the standard Federal Internal Revenue Service deduction for additional dependents was set at this same $750 figure for the 1977 tax year (the year from which aid eligibility for the 1978-79 academic year would have been computed). This is further evidence of the lack of consistant guidance regarding budget calculations made at the institutional level and the types of sources which institutions must draw upon.

---

[12] Note: CSS collects this data in order to prepare an annual guide to "Student Expenses at Postsecondary Institutions" and for use in its Need Analysis Reports. had broken this category down by the number of dependents. Under the present framework, it is almost impossible for schools to decipher the dollar amount which should be allowed for a single dependent. There is no doubt that this practice has helped perpetuate the varying approaches to this budget issue.

Part-time Students

Another of the sub-groups which comprise the nontraditional student population are "part-time" students. Part-time students are rapidly becoming the most significant minority, and, in many cases, the majority, of the student bodies at a growing number of institutions. The Federal government maintains no hard and fast definition for part-time status. Each institution is virtually free to establish its own regulations regarding part-time status. Normally, schools establish a required number of credits per semester (e.g., 12 or 15) for students to qualify as full-time. Students who take less than that requirement are considered to be part-time. The government has established a course load floor, below which it will not recognize students as being eligible for aid — "half-time or more." At a school which requires a student to take a minimum of twelve credits to be considered full-time, a student would have to take six credits or more in order to be considered aid eligible.

The majority of the institutions surveyed have accounted for the special circumstances of part-time students by adjusting their budgets to suit these students. As Table 8.7 indicates, most of these financial aid office(r)s (47.8%) pro-rate the standard budget in accordance with the course load being carried by the student, while an additional 22.3 percent only adjust the tuition portion of the budget in order to reflect the costs actually incurred by the student. These are vastly differing approaches to this issue. Institutions which pro-rate part-time student budgets are, in a sense, equating the level of support which they should be required to provide the student with the level of commitment which that student has been able to make to his/her education. Schools which allow part-time students to be budgeted for the full cost of their living expenses are not making such a distinction between members of the student population. Over one-quarter of the institutions (26.7%) do not recognize part-time students for financial assistance other than Basic Grants. Part-time students at these schools would still, however, be eligible for BEOG awards if they meet the half-time requirement.

TABLE 8.7: PERCENT OF INSTITUTIONS WHICH MAKE BUDGET ADJUSTMENTS FOR PART-TIME STUDENTS: ACADEMIC YEAR 1978-79

Type of Adjustment	Percent of Respondents
Pro-rate budget based on student courseload	47.8
Don't fund part-time students	26.7
Only adjust tuition portion of expense budget	22.3
Budget only for tuition & fees	1.9
Adjust budget individually	1.3
Institutions Reporting:	157

Source: Institutional Site Visit Survey.

The treatment of part-time students has obviously caused considerable consternation among institutions. Perhaps there has been no established pattern of treatment for part-time students because there is no established type of part-time student. Those students who are attending school part-time due to the necessities of their family situation (e.g., working and/or single parents) have different needs than those students attending school part-time by their own choice and should be treated accordingly.

Students With a Student Spouse

One category of budget adjustment which concerns a limited, but nevertheless unique, number of students is the treatment of students with a student spouse. Most financial aid offices have set up special procedures to meet the needs of these students.

TABLE 8.8: PERCENT OF INSTITUTIONS WHICH MAKE ADJUSTMENTS TO EXPENSE BUDGETS MADE FOR STUDENTS WITH A STUDENT SPOUSE: ACADEMIC YEAR 1978-79

Adjustment	Percent of Respondents
Adjust according to a set formula or by a specified dollar amount	54.1
Do not adjust	29.7
Adjust according to individual circumstance	10.1
Follow CSS and/or ACT standard	6.1
Institutions Reporting:	148

Source: Institutional Site Visit Survey.

Almost 30 percent of the institutions do not make any special adjustment for these students and treat them as they would other married students. The remaining 70 percent acknowledge that these students represent "special" cases and must be budgeted accordingly. These financial aid officers base such a decision on the belief that if two students at the same campus are married, they comprise only one household. Therefore, their combined budget should total enough to support that single household. Were both these students' budgets computed as individual independent students the combined total would exceed the cost of support for one married household.[13/]

[13/] Using the figures for average budgets this point is illustrated. At 4-year public school the single independent budget averages $3953; doubled, this totals $7906. The married student budget is set at $6004 a difference of $1902.

Among the institutions which employ formulas to compute this adjustment are 38 schools which add the direct educational expenses of the spouse on to the standard married budget. The rest of the formulas in use include: subtracting $2500 from the married budget and packaging each student individually; doubling the single student budget; and, budgeting each spouse for one-half of the total married budget. The dollar amounts used by the 24 institutions who indicated that they made such adjustments to the married student budget ranged from $500 to $1500 with a mean of $878. An additional nine institutions reported that they followed the College Scholarship Service or American College Testing Program's procedures to guide them in these matters. It is, however, unclear what practice these institutions are employing. There is no mention at all of this particular student circumstance in either the ACT or CSS guides published for financial aid officers.

Other Budget Adjustments

There are quite a few additional expenses which students may incur which schools have indicated they consider as worthy of budget adjustments. To begin with, approximately half of the institutions responding (see Table 8.9) report that they will add to the standard budget those costs related to the requirements of specific academic programs (e.g., nursing, engineering, music, art, etc.). The majority of the 77 schools which make these adjustments do so in accordance with the actual costs incurred by the student. The remaining 12 schools have established set dollar amounts which they add on to the budget. It is presumed that these dollar amounts are based on information provided by the academic departments concerned. The 76 institutions, which do not make any adjustment for these direct educational costs, expect the student to stretch his/her budget in order to meet the financial demands of his/her academic program.

With regard to other educationally-related expenses (e.g., higher transportation costs) most institutions prefer to view students individually. As is evidenced in Table 8.10, 81 schools chose this approach. Schools may choose to adjust the transportation portion of a

TABLE 8.9: PERCENT OF INSTITUTIONS EMPLOYING SPECIFIC BUDGET ADJUSTMENTS FOR ACADEMIC PROGRAM COSTS: ACADEMIC YEAR 1978-79

Type of Adjustment	Percent of Respondents
Adjust by a specified amount	7.8
Adjust according to documented individual circumstance	42.5
Do not adjust	49.7
Institutions Reporting:	153

Source: Institutional Site Visit Survey.

student budget either to provide for excesses in the costs of local commutation to and from school and/or for the cost of trips to and from the student's home (if that home is outside the community where the school is located. The latter category is especially applicable to out-of-state students attending public or private universities. Most institutions which make such an adjustment allow for two round-trips home for these students.

TABLE 8.10: INSTITUTIONS WHICH EMPLOY SPECIFIC BUDGET ADJUSTMENTS FOR OTHER EDUCATIONALLY-RELATED EXPENSES (E.G., HIGHER TRANSPORTATION COSTS): ACADEMIC YEAR 1978-79

Type of Adjustment	Percent of Respondents
Adjust according to documented individual circumstance	52.9
Adjust by a specific transportation allowance	10.5
Do not adjust	36.6
Institutions Reporting:	153

Source: Institutional Site Visit Survey.

There are a potentially inexhaustible number of remaining reasons why schools could choose to adjust student budgets. A total of 69 institutions have specifically designed adjustments which cover those students attending summer school. Since these students will be attending school for twelve, rather than the traditional nine, months per year these schools feel that they deserve some special consideration. Some schools merely eliminate the requirement that students produce earnings over the summer vacation; others add the costs of summer school tuition and fees; while still others extend the nine month budget by an additional 33 percent or design a limited three month budget for the summer.

Twenty-eight institutions have developed specific practices for adjusting the budgets of handicapped students. The majority of these institutions will allow for the medical or transportation-related costs associated with the particular handicap. A few of these schools indicated that they actually adjust the budget downward due to the amount of public assistance which handicapped persons may be able to receive. This is a curious practice since such aid would, conceivably, have been claimed as non-taxable income on the financial aid application completed by the student and thus computed as part of the expected family contribution.

An additional 22 schools said that they were willing to consider adjustments to the budget for any number of reasons if the student could provide proper documentation of his or her need for such an adjustment. While at the other end of the spectrum 43 schools will not consider any adjustments to the budget for those students whose circumstances do not meet the aid office(r)'s established standard budget and adjustments.

SUMMARY

This examination of institutional practices regarding the preparation student budgets has revealed a great deal of variance. Such variance is evident in the standard budgets which schools develop as well as in the manner in which adjustments to these budgets are made. The limited scope of this study makes it impossible, at this time, to pinpoint the exact causes of the variations which have been noted. Certainly, there is some lack of guidance on the fine details of budgeting practices. Additionally, there are a number of reasons which prompt institutions to assign emphasis to local market considerations and adhere to such priorities rather than nationally derived standards. Although it is easy to speculate that these two factors weigh heavily on the variance in budgets and budgeting practices, the degree to which they affect the delivery of financial aid to students is not quite so clear.

ATTACHMENT A TO CHAPTER 8

TABLE 8.A: DOLLAR VALUES FOR VARIOUS STUDENT BUDGETS, BY INSTITUTIONAL LEVEL AND CONTROL AND STUDENT TYPE: ACADEMIC YEAR 1978-79

	Student Type			
	Basic, Single Dependent Off-Campus	On-Campus	Independent	Married
4-Year Public				
Tuition[1]	609	609	609	609
Room/Board	902	1,490	1,810	3,308
Transportation	272	154	343	397
Other	672	765	1,146	2,019
Total Budget	2,454	3,050	3,953	6,004
Institutions Reporting	49	24	29	29
4-Year Private				
Tuition	2,398	2,398	2,398	2,398
Room/Board	815	1,423	1,693	2,940
Transportation	181	166	201	306
Other	585	718	1,443	2,055
Total Budget	3,979	4,619	5,998	7,600
Institutions Reporting	51	33	23	24
2-Year Public				
Tuition[1]	291	291	291	291
Room/Board	754	1,453	2,116	3,172
Transportation	347	500	462	478
Other	621	740	920	1,520
Total Budget	2,012	3,224	3,866	5,434
Institutions Reporting	31	5	16	16
2-Year Private				
Tuition	1,843	1,843	1,843	1,843
Room/Board	1,154	1,541	1,208	1,911
Transportation	274	100	221	358
Other	484	526	989	2,405
Total Budget	3,755	4,315	4,205	5,973
Institutions Reporting	10	8	7	3

---

[1] Nonresident tuition averages $1,823 (26 cases) for 4-year public schools and $990 for 2-year public schools.

TABLE 8.A: DOLLAR VALUES FOR VARIOUS STUDENT BUDGETS, BY INSTITUTIONAL LEVEL AND CONTROL AND STUDENT TYPE: ACADEMIC YEAR 1978-79 (Continued)

	Student Type			
	Basic, Single Dependent Off-Campus	On-Campus	Independent	Married
Proprietary				
Tuition	1,592	1,592	1,592	1,592
Room/Board	702	1,656	1,812	3,916
Transportation	266	163	271	391
Other	726	674	1,120	1,626
Total Budget	3,252	4,702	5,035	7,619
Institutions Reporting	28	6	12	11

Source: Institutional Site Visit Survey.

9

PACKAGING: COMBINING AID RESOURCES FOR THE STUDENT

INTRODUCTION

Since no one financial aid program alone is designed to meet the total need of any particular student, eligible students are most often awarded a mix of various financial aid sources. The amounts and types of aid "packaged" depend upon the funds available, the requirements of various funding sources, and the need of the student.

Perhaps the most important concept of packaging is that it is an "exercise in philosophy and goal definition." Institutions must establish and maintain a thoroughly considered packaging philosophy that is in keeping with institutional goals. This philosophy must also reflect student needs and be designed in accordance with Federal regulations. By doing so, schools are better able to equitably distribute financial aid to students.

The Issues and Components of an Aid Package

Numerous aid sources are used in the process of packaging. Presented below are some of the more commonly used grant and self-help sources used in packaging.

Grants: Basic Educational Opportunity Grant (BEOG), Supplemental Educational Opportunity Grant (SEOG), State Entitlement, Institutional Grants, Private Scholarships.

Self-Help: National Direct Student Loan (NDSL), College Work-Study (CWS), Guaranteed Student Loan (GSL), Federally Insured Student Loan (FISL), Summer Savings, Academic Year Earnings, Institutional or Private Loan Funds, Campus Employment (other than CWS).

In addition to the four Federal financial aid programs (see Appendix B), aid officers administer funds from state, institutional, and private sources. Some of the state programs (e.g., State Student Incentive Programs) consist of matching Federal and state funds. State aid is restricted to state residents and is often confined to use at public institutions within the state. Relatively few state grants and/or loans can be used at out-of-state schools, although exceptions do exist. A few states support student expenses at any accredited school (New York, for example), and a limited number of state-to-state reciprocity agreements exist. Most postsecondary institutions have aid programs of their own. Sources of funds include allocations from the school's annual operating budget, private, personal, and corporate gifts, and earnings and principal from endowment funds. It is common for separate institutional funds to be reserved for specific types of students, such as academic achievers, athletes, or those majoring in specific subjects.

The role of the financial aid office in administering institutional aid varies widely. Some institutions channel all aid through the aid office. In other cases only need-based institutional aid is administered by the aid office. Other private institutional aid may be administered by a scholarship or faculty committee.

Private grants are awards given directly to a particular student or group of students (often upon graduation from high school). Sources include corporations, civic associations, nonprofit organizations, and private individuals. Institutions may not have control over the size and form of these grants, but aid offices still need to be aware of each such award in order to have a knowledge of all of the student's financial resources.

Measuring Equity

In an attempt to provide institutions with some external guidance as they attempted to develop packaging strategies compatible with the increasing number of sources of student financial assistance, the Keppel Task Force, in 1976, introduced a model for "equity packaging." According to the task force report, equity packaging is based on the objective of "using student aid to increase access, choice and retention".[1]. The task force goes on to identify two premises which stem from these objectives:

1) that students with lesser resources from parents and other sources not requiring employment or borrowing have a greater claim on scholarships and grants than do those who already have those resources available to them.... (Keppel, p. 72.)
2) that scholarships and grants should be distributed in such a way as to equalize opportunity rather than to perpetuate existing inequities caused by birth or inequitable access to other resources.[2]

In order to meet these goals, equity packaging attempts to give all students a so-called "equal running start" by awarding enough gift aid (in combination with family contribution, Basic Grant, or other entitlement funds) to bring all students up to a predetermined percentage of the student's budget. Self-help or other resources are then used to cover remaining need.

Exhibit 9.1 may help to illustrate the underlying principles of the equity scheme. Note that in Example A, gift aid is awarded as a fixed percentage of need. In Example B, gift aid is awarded up to a fixed dollar amount so that students receive a similar amount or proportion of self-help assistance. Exhibit 9.1 presents a rather simplified picture of aid packaging and, in both examples, assumes that the institution will be able to meet the full cost of a student's education. However, in practice, few schools are able to do this for every student.

The gap between the student's gross financial need and the size of the aid package is known as "unpackaged need." From the student's perspective, unpackaged need represents the amount of additional money which the student will need in order to attend school. Remember, too, that the unpackaged need figure is over and above the amount of calculated contribution to which the student and/or his/her family have already committed themselves to provide.

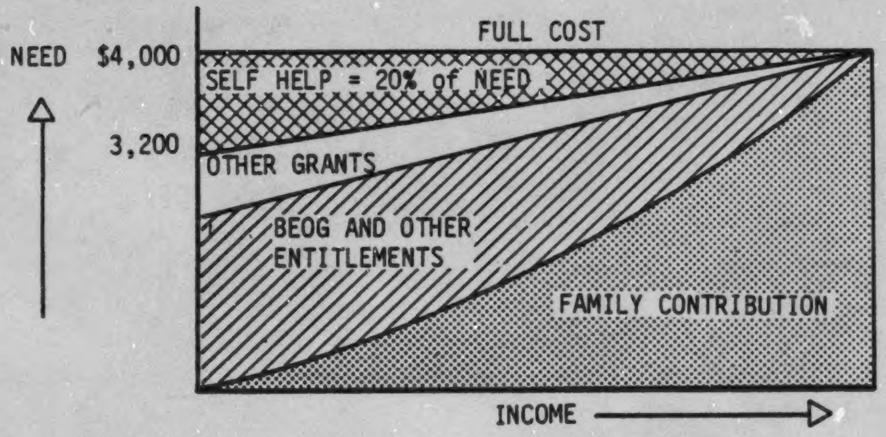
---

[1] Francis, Keppel, National Task Force on Student Aid Problems. Final Report, (Brookdale, California: The Task Force, 1975), p. 72.

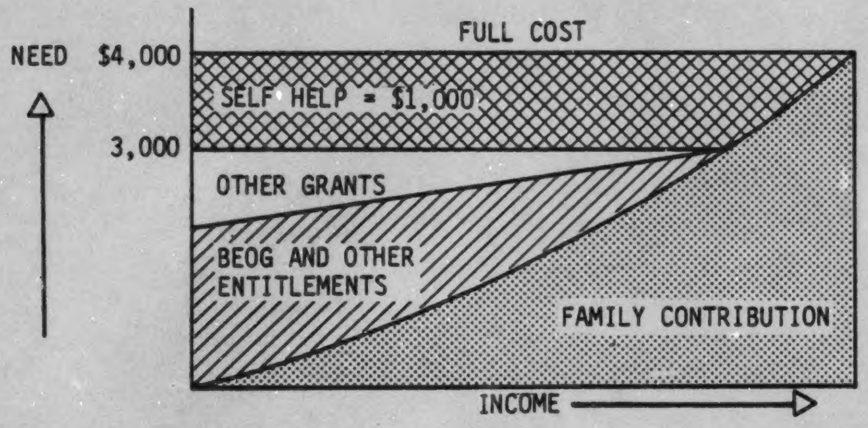
[2] Ibid., p. 72.

EXHIBIT 9.1: HYPOTHETICAL PACKAGING RULES

Example A: Nonreturnable aid is packaged as a fixed percentage of student need. The self-help burden is equalized as a percentage of need.


FULL COST
NEED
$4,000
3,200
SELF HELP = 20% of NEED
OTHER GRANTS
BEOG AND OTHER ENTITLEMENTS
FAMILY CONTRIBUTION
INCOME

Example B: A fixed level of nonreturnable aid is packaged. The self-help burden is equalized among all recipients.

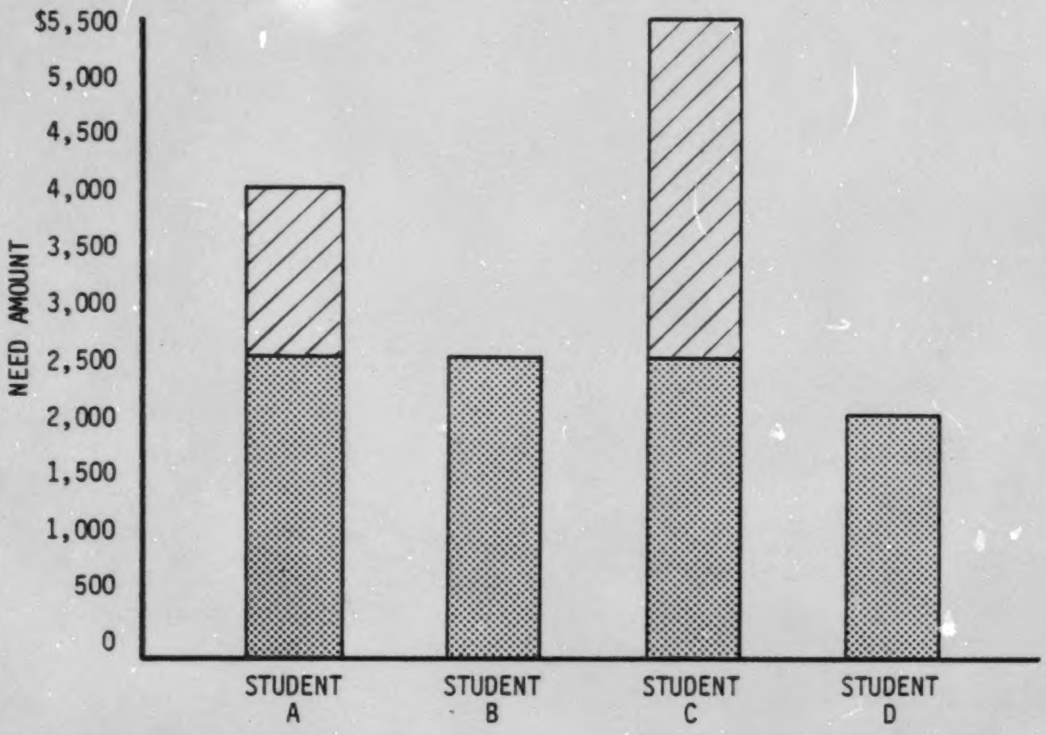

FULL COST
NEED
$4,000
3,000
SELF HELP = $1,000
OTHER GRANTS
BEOG AND OTHER ENTITLEMENTS
FAMILY CONTRIBUTION
INCOME

The amount of unpackaged need and its proportion, relative to the total cost of attendance, can vary greatly from one institution to another. It will be a function of the same factors that affect the total aid package: the availability of funds, demography of the student population, the school's packaging priorities, and level of the student budgets. The level of unpackaged need may vary within a single institution because of variations in the treatment of the aid packages for different student types. For example, schools may choose to package the full need of dependent students while agreeing to meet only a portion of the need of independent students. Or, an institution may establish a dollar ceiling above which it will cease to package aid. The result of such a practice is to exclude students with higher than average budget totals from the possibility that their full need will be met.

The level of unpackaged need which an institution is willing to tolerate can be a deciding factor in choosing a packaging philosophy. The pair of exhibits on the following pages illustrates the distribution of unpackaged need under two basic sets of packaging guidelines. Exhibit 9.2 shows the effects of a system where aid is packaged up to a fixed dollar amount of net financial need (in this case $2,500). The effect is to concentrate the total unpackaged need among students with the greatest amount of net need. Obviously, those students whose net need falls below or is equal to $2,500, either due to their being assigned a lower budget or higher total family contribution, would not have to cope with the problem of unpackaged need.

In Exhibit 9.3, the institution has chosen to award financial assistance up to 75 percent of student net need. Thus, a student whose net need is $4,000 would receive $3,000 in aid and be left with an unpackaged gap of $1,000. A student whose need equals $1,000 would receive an aid package totalling $750 and be left with only $250 remaining. The effect of this packaging practice is to spread the amount of unpackaged need among all students, while attempting to prevent any student from being burdened with an excessive amount of unpackaged need.

EXHIBIT 9.2: EXAMPLES OF UNPACKAGED NEED* - AID IS PACKAGED UP TO A FIXED DOLLAR AMOUNT

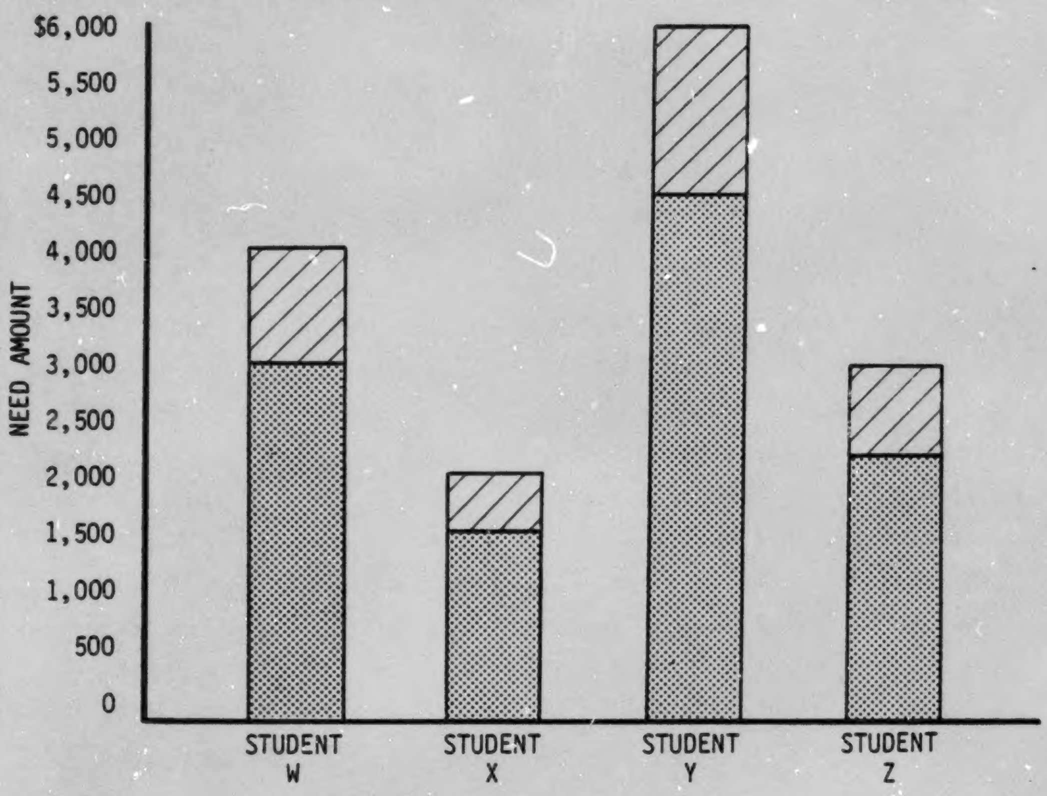


*The dollar amount of the aid package represent the student's gross financial need minus all entitlements.

Unmet Needs = ▨

Package = ▒

EXHIBIT 9.3: EXAMPLES OF UNPACKAGED NEED* - AID IS PACKAGED UP TO A FIXED PERCENTAGE OF NEED (75%)



*The dollar amount of the aid package represent the student's gross financial need minus all entitlements.

Unmet Needs = ▨

Package = ▒

Unpackaged need may also provide an interesting basis for comparison between institutional packaging concepts. By assigning a level of unpackaged need, an institution forces a student to take additional steps to meet the full cost of his/her education. For some students the most feasible way to make up this unpackaged need gap is to secure a Guaranteed Student Loan (or the applicable Federally insured or state guaranteed loan). Other students may choose to take on more outside work (either during the summer or academic year), increase the level of their family's contribution, or endure a lower standard of living.

Centralization of Packaging Approaches

As with other institutional practices, the issue of centralization is applicable to packaging. USOE has devoted much thought to the idea of requiring institutions to conform to specific packaging typologies. One proposal, for example, would offer institutions two, three, or four models upon which to base student aid packages. In effect, this would involve a conscious decision on USOE's part to identify packaging frameworks within which schools would work; something USOE is currently reluctant to do. If such a decision was made by USOE, it would reflect an attempt to balance the mandate for equitable treatment of aid recipients with the sovereignty of institutional decision making.

In a sense, some aspects of packaging have already been centralized. Part of the Need Analysis Report (NAR) which ACT and CSS forward to institutions deals with the basic self-help portions of the aid package. The NAR assigns a student a certain dollar amount from summer savings as well as a portion of his/her academic year earnings that is to be placed towards meeting educational costs. By allowing CSS or ACT to make these decisions for them, many institutions have acknowledged that the standardization of this aspect of the packaging process is not a threat to their local autonomy.

General Approach to Packaging

Because of the sometimes complex nature of student financial assistance—with its array of aid sources, budgets and student types—it is not surprising to find that institutions often differ in their approaches to packaging. From an examination of the data collected, nine basic packaging typologies were identified. Although different in their treatment of nonreturnable and self-help sources, each method makes use of family contribution as the first step in meeting the needs of student. An explanation of each typology is presented below.

I. Nonreturnable Aid/Self-Help Ratio: Institutions using this packaging method strive to equalize the ratio of grants to self-help support for all students.

II. Fixed Grant: Some institutions include a fixed level of nonreturnable (grant) aid in the package of each recipient. Once the fixed amount of grant aid is awarded, self-help is used to fulfill any unpackaged need. In some instances, the fixed grant amount is large enough so that no self-help is needed.

III. Fixed Self-Help Amount: Another packaging philosophy is to award each recipient a fixed level of self-help. With this method, loans and work-study monies are packaged first, followed by nonreturnable aid.

IV. Fixed Work Amount: Some institutions require recipients to assume some type of work-study or campus employment responsibility as part of their aid package. Variable grant amounts are also included in each package. If necessary, loans may also be used to cover any remaining need.

V. Fixed Loan Amount: Although not as common a practice, some institutions require students to assume a fixed loan responsibility. As with the "Fixed-Work" method, recipients here are given a grant award. Work is then packaged, if necessary.

VI. Floating Grant Amount: A common approach in packaging is to direct at least some grant money to all recipients without establishing either a minimum or maximum amount. The major distinction between this approach and those introduced previously is that it is less restrictive. Aid officers are free to adjust the grant amount and then go on, if necessary, to award an appropriate amount of self-help.

VII. Grant Amount Floats—Or is Zero: Some institutions that vary the amount of nonreturnable aid from student to student (as is the case in the preceding typology) may also refrain from awarding any grant monies at all. When no grant monies are packaged, need is met solely through self-help means.

VIII. Based on Scholastic Ability: A small number of institutions base their aid packaging on the basis of a student's academic performance. For example, high ability students may be given preference toward receiving grant or scholarship monies while students showing less ability may be packaged primarily with self-help. This is in direct violation of the intended uses for Campus Based funds.

IX. No Established Rules/Case-by-Case Treatment: Some institutions report that they lack established rules for aid packaging. For these schools, all students are treated on a case-by-case basis.

RESULTS:

Overall Institutional Practices

As mentioned in the previous section, all the institutions conformed to one of nine basic packaging typologies. Table 9.1 lists these typologies along with the percentage of institutions that use each type. The table also contains the percentage of students (as calculated from the combined enrollment totals of all surveyed institutions) that are affected by each packaging method.

From this table it is observed that the largest group of schools conform to the packaging philosophy based on a "Nonreturnable Aid/Self-Help Ratio." As this method is used by more institutions than any other (29.9%), it affects an even greater proportion of students. The enrollment totals of the 49 institutions using this packaging type represent nearly 40 percent of the total number of students attending the schools surveyed. This is due to the fact that "Nonreturnable Aid/Self-Help Ratio" packaging is most commonly used at 4-year public institutions (see Table 9.2) where the average enrollment is substantially higher than that of any other institutional type (see Table 5.1).

Another observation worth noting is that only one school (0.6%) employs the "Fixed Loan" typology of packaging. This institution was a 2-year private college. Such a packaging approach may be necessary to meet the needs of an excessively large number of students or to cope with limitations on aid resources. It is also possible that very few students at that school receive aid, or that typical unpackaged need is not great enough to create much of a burden.

To conveniently summarize the degree to which each packaging method was used, a rank-ordering of the most to least commonly used typology is presented below. This ranking is based on the proportion of institutions using each typology.

TABLE 9.1: ESTIMATED PERCENTAGE OF INSTITUTIONS USING DIFFERENT PACKAGING TYPOLOGIES AND PERCENTAGE OF STUDENTS PACKAGED WITH EACH: ACADEMIC YEAR 1978-79[1]

	Basic Packaging Typologies Used by Institutions									
	Nonreturnable Aid/ Self-Help Ratio	Fixed Grant Amt.: Self-help Varies or May Be Zero	Fixed Self-help Amt.: Grants Vary or May Be Zero	Fixed Work Amt.: Loan Vary or May Be Zero; Grants Vary But are Not Zero	Fixed Loan Amt.: Work Varies or May Be Zero; Grants Vary But are Not Zero	Floating Grant Amt. (All get Some)	Grant Amt. Floats or is Zero	Package Based on Scholastic Ability	No Established Rules; Case by-Case Treatment	TOTALS
Percentage of Institutions that Utilize Each Typology	29.9	3.1	8.0	2.4	0.6	25.6	14.0	1.2	15.2	100.0
Percentage of Students Effected by Each Typology	39.9	1.9	11.2	5.2	0.2	18.4	9.1	0.3	13.8	100.0
Institutions Reporting	49	5	13	4	1	42	23	2	25	164

Source: Institutional Site Visit Survey.

[1] Percentages are row percentages.

TABLE 9.2: ESTIMATED PERCENTAGE OF PACKAGING TYPOLOGIES USED BY VARIOUS INSTITUTIONAL TYPES: ACADEMIC YEAR 1978-79[1]

	Basic Packaging Typologies Used by Institutions									
Institutional Type	Nonreturnable Aid/ Self-Help Ratio	Fixed Grant Amt.: Self-help Varies or May Be Zero	Fixed Self-help Amt.: Grants Vary or May Be Zero	Fixed Work Amt.: Loan Vary or May Be Zero; Grants Vary But are Not Zero	Fixed Loan Amt.: Work Varies or May Be Zero; Grants Vary But are Not Zero	Floating Grant Amt. (All get Some)	Grant Amt. Floats or is Zero	Package Based on Scholastic Ability	No Established Rules; Case by-Case Treatment	TOTALS
4-Year Public	41.5	7.2	10.0	2.2	0.0	25.0	5.3	0.0	8.9	100.0
4-Year Private	33.8	2.4	15.3	0.7	0.0	20.7	10.1	5.1	11.9	100.0
2-Year Public	19.6	0.0	3.3	6.7	0.0	16.7	34.2	0.0	19.5	100.0
2-Year Private	33.2	0.0	0.0	0.0	11.9	23.1	31.8	0.0	0.0	100.0
Proprietary	11.4	0.0	0.0	0.0	0.0	43.3	11.3	0.0	34.0	100.0
Institutions Reporting	49	5	13	4	1	42	23	2	25	164

Source: Institutional Site Visit Survey.

---

[1] Percentages are read from left to right.

Packaging Typology

Most Common:	Nonreturnable Aid/Self-Help Ratio
	Floating Grant Amount
	No Established Rules/Case-by-Case Treatment
	Grant Amount Floats/Or is Zero
	Fixed Self-Help Amount
	Fixed Grant
	Fixed Work Amount
	Based on Scholastic Ability
Least Common:	Fixed Loan Amount

Table 9.2 presents the estimated percentage of packaging typologies used by each institutional type. As mentioned previously, 4-year public institutions are most apt to utilize the "Nonreturnable Aid/Self-Help Ratio" packaging method. From the figures contained in this table, it is also apparent that 4-year and 2-year private institutions fall into this group. More 2-year public schools use the "Grant Floats/Or is Zero" scheme while the greatest percentage of proprietary institutions favor the "Floating Grant Amount" typology.

It is interesting to note that the "Fixed Grant" method was used only at 4-year institutions. Since a student's enrollment period at these schools is naturally longer than at 2-year colleges or proprietary schools, 4-year institutions may package a fixed grant award in order to lower the degree to which some students may be overburdened with four years of loans and/or work responsibilities. Also noteworthy in Table 9.2 is the fact that over one-third of the proprietary schools do not have an established packaging practice. This may be a result of the fact that a lower percentage of these institutions participate in the Campus Based programs (see Table 6.1), and therefore do not possess the discretionary funds which would necessitate an established packaging policy.

Sequence of Aid Awards

Frequently, the sequence in which aid is packaged will differ from one institution to another. Financial aid officers at one school may, for example, package grants first while officials at another institution begin packaging with self-help. The sequential order which is chosen may be related to the nature and size of the aid sources as well as the packaging philosophies adopted by the institution. Various schools may package according to identical principles and achieve similar outcomes while sequencing awards in what appears to be opposing methods. One particular institution reported that it reordered its sequencing priorities upon its shift from a manual to computer packaging system without affecting the end result.

Institutions were asked several questions regarding the sequence used in awarding grants and self-help aid. When asked to note the practice used in awarding limited grant and scholarship monies, 82 percent of the institutions stated that the most needy students were given priority over all others. Of the remaining institutions, 8 (5%) favored students with academic ability, while another 11 schools mentioned that preference was given to those who applied earliest for aid. A few schools mentioned other considerations, including preference in awarding grants to freshmen, or consideration of a student's extracurricular activities. Nine schools were treated as inapplicable because they said that they either had enough gift aid to meet all needs or that they had no gift aid at all.

When aid officers were asked to specify the types of students for which nonreturnable aid becomes the initial packaging consideration, 41 percent of the institutions noted that such aid was packaged first for *all* its students; 31 percent stated that their neediest students were the first to receive nonreturnable funds. Fifteen schools (10%) reported that packaging began with grant aid for the earliest applicants. (This could be the only practical approach if a school had a very limited amount of nonreturnable aid to disburse.) Nine schools linked gift aid to academic performance. Preferences for athletes, dependent students with VA benefits, dormitory students, independent students, minorities, or returning students were also mentioned by a few institutions. Twenty schools reported that they never begin packaging with gift aid.

Institutions were also asked to note the type of students who were packaged with self-help first. Nearly half (47%) stated that self-help was the first consideration for less needy students. Twenty-nine schools (20%) start all packaging with self-help. Presumably these include the 20 institutions cited in the last sentence of the preceding paragraph. Other institutions package self-help first for the following student types: late applicants (10 cases); those considered most needy (7 cases); independent students (5 cases); dependent students (3 cases); and those explicitly requesting self-help (3 cases). Fourteen schools (9%) report that no students are packaged with self-help first. Once again it should be noted that the sequencing of aid awards may not have a significant impact on the outcomes of a school's packaging process.

Use of Computerized Packaging Systems

Of all the institutions surveyed, only 13 (7%) reported that they utilize a computerized system for packaging aid. Twelve of these schools are publicly controlled with enrollments in excess of 3,000 undergraduates. The remaining institution is a small, private, liberal arts college. These results tend to demonstrate that computerized packaging systems are used most often at larger schools. The vast majority of schools continue to employ manual packaging techniques.

Specific Packaging Practices

Included in this survey were a number of detailed inquiries into specific areas of financial aid packaging. These were: treatment of independent students; treatment of summer earnings; treatment of private (noninstitutional) aid; student choice between loans and work; and the use of guaranteed student loans. A discussion of each of these areas is presented below.

Treatment of Independent Students: The greatest degree of consistency among the schools for any aspect of packaging is in the treatment of independent students. In the assessment of need, 94 percent of the schools treat independents like dependents except that the student's own income is substituted for that of his/her parents. Of the remaining institutions, 4 percent calculate the need of independents on a case-by-case basis while 2 percent use parental income figures to determine need.

At 92 percent of the schools surveyed, nonreturnable aid was packaged for independent students in the same manner as for dependent students. Four percent of the schools packaged independents on a case-by-case basis, while another four percent distributed a fixed portion of nonreturnable aid to all eligible independents.

Treatment of Summer Earnings: Through the use of a mandatory contribution from summer earnings, many institutions have established a minimum self-help requirement for its students. Institutions generally adjust the size of this contribution in relation to the recipient's year in school (e.g., freshmen contribute $500 from summer savings; sophomores, $600; juniors and seniors, $700). Eighty-seven schools (59%) noted that they follow this procedure when asked how summer earnings were treated. Of those remaining, 26 schools (18%) required that a fixed dollar amount of summer earnings be used as part of the self-help base (see Preface, Section IV). This fixed amount ranged from under $100 to over $700, with $500 being the mode. Fourteen other schools required students to apply the full amount of their summer earnings towards the self-help base. This practice is most frequently found at 4-year private institutions and most likely requires the financial aid managers to perform some type of income verification on summer earnings. Nine other institutions adjusted summer contributions according to one of the following: expected parental contribution, expected parental income, student's area of residence, student marital status, or dependency status. Eight schools did not take account of summer earnings at all. Of these, seven are either proprietary schools or 2-year public institutions which, if vocational in their orientation, could sensibly adopt this policy. The other school not considering summer earnings is a 4-year public college.

The Treatment of Private (Noninstitutional) Aid: Private, noninstitutional aid generally refers to financial assistance offered by civic groups, corporations, unions, or philanthropic foundations. It can include academic scholarships and categorical scholarships (e.g., those for music students, athletes, etc.). Loans and work can also fall under the category of private aid, although these cases are few. When asked how nonreturnable, private aid was treated in packaging, 59 schools (40%) reported that such aid was used to offset self-help (work/loans). Thirty-three institutions (23%) said that a portion of this aid was used to reduce the loan/work burden, and the remainder placed toward reducing the level of nonreturnable aid. Another 33 schools (23%) used the entire award to reduce the student's level of nonreturnable aid. Fourteen (9%) of the schools treated private aid as part of the total resources a student brings with him/her to the institution. Of those remaining, six (9%) reported that treatment was decided on a case-by-case basis. One school linked this method with class standing and reported that private aid offsets self-help for first-time applicants, but offsets grants thereafter.

Choosing Between Loans and Work: One hundred schools (64%) reported that all students may choose between loans and work in fulfilling this self-help portion of their aid package. Thirty-six schools (23%) do not give students this choice. The remainder said that "some" students would have the choice, while presumably others would not. The distinction is likely to rest on very practical considerations or the academic rules of the institution. For example, seven schools noted that low grades may disallow use of either work or loans. Four noted that some academic departments may prohibit work for their students on the ground that their curricula are too demanding. Four other schools said that limits on funds may deny students the choice between loans and work. Two institutions reported that the issue of choice was decided on a case-by-case basis while two others do not allow freshmen to take out loans. Another said students are not given the choice "if it would raise administrative problems."

Using Guaranteed Student Loans: Slightly more than 80 percent of the institutions surveyed reported that they may counsel against the use of Guaranteed Student Loans. Of these, more than half said they offer such advice "infrequently" while the rest give it "often". Each institution that counseled against the use of these loans was asked to note the reason(s) why they chose to do so. The most common explanation given was that it is possible to meet a student's need with other aid sources. Other reasons for such counsel include: the desire to minimize loan burdens (cited by more than a quarter of the applicable cases); the expectations that a student's potential earnings may be too low to justify the loan (cited by about 16 percent of the cases); and the lack of eligibility for loans (mentioned by about 15 percent of the institutions).

Relationship Between Selected Packaging Practices and Basic Packaging Typologies

Table 9.3 provides a distribution of the estimated percentages of institutions using specific packaging under the nine basic packaging typologies. One interesting observation here deals with the practice of packaging gift aid first for the most needy students when the supply of these funds is limited. Of all the institutions that agree with this statement, the largest group (30.8%) also noted that they package all students with some grant monies. These institutions must apparently package in a manner that allows *all* students to receive some grant aid, regardless of the extent to which the demand exceeds the supply of these funds.

TABLE 9.3: ESTIMATED PERCENTAGE OF BASIC PACKAGING TYPOLOGIES USED BY SELECTIVE PACKAGING PRACTICES: ACADEMIC YEAR 1978-79[1]

Selective Packaging Practices	Basic Packaging Typologies Used by Institutions									TOTALS
	Nonreturnable Aid/ Self-Help Ratio	Fixed Grant Amt.: Self-help Varies or May Be Zero	Fixed Self-help Amt.: Grants Vary or May Be Zero	Fixed Work Amt.: Loan Vary or May Be Zero; Grants Vary But are not Zero	Fixed Loan Amt.: Work Varies or May Be Zero; Grants Vary But are Not Zero	Floating Grant Amt. (All get Some)	Grant Amt. Floats or is Zero	Package Based on Scholastic Ability	No Established Rules; Case-by-Case Treatment	
Independent students are assessed for need like dependents, except student's income replaces parent's income	26.0	1.6	6.5	2.4	0.6	30.1	15.9	0.0	26.8	100.0
Independent students are packaged like dependents	27.7	1.3	6.3	2.3	0.6	33.0	16.0	1.6	11.1	100.0
School may counsel against use of GSL's	30.7	1.4	7.8	2.9	0.7	24.6	19.6	1.9	10.3	100.0
If demand exceeds supply of gift aid, neediest students come first	29.8	1.5	4.7	2.1	0.8	30.8	21.9	0.0	7.5	100.0
All students packaged with gift aid first	31.2	1.4	4.2	2.1	0.0	35.0	11.3	3.8	11.0	100.0
Neediest students packaged with gift aid first	24.4	2.2	7.9	0.6	0.0	24.7	23.5	0.0	16.7	100.0
Less needy students packaged with self-help first	25.2	2.3	5.2	3.6	0.0	32.9	17.3	0.0	13.5	100.0
Private grant aid is used to offset self-help first (or exclusively)	32.4	2.1	5.8	1.1	0.0	25.0	21.7	1.5	10.5	100.0
All students may choose among loan/work mix for self-help	30.5	1.2	8.7	1.8	0.0	19.9	21.1	1.3	15.5	100.0
Summer savings: assume fixed contribution, based on year in school, as per CSS	36.5	3.5	9.0	5.0	1.3	18.2	15.1	3.3	8.1	100.0
Institutions Reporting	49	5	13	4	1	42	23	2	25	164

Source: Institutional Site Visit Survey.

[1] Percentages are row percentages.

Table 9.3 also points out two inconsistencies between a specific packaging practice noted and the packaging typology employed. Eleven percent of the schools that stated that their students' aid packages start with gift aid also reported that they do not follow an established packaging typology. This appears to be a contradiction in terms since this packaging practice does represent a type of predetermined packaging policy. Another inconsistency appears in the percentage of institutions that allow students to choose between work and loans to meet their self-help obligation. Although a small percentage (1.8%) of the institutions provide students with this choice all of them report that they package students with a fixed amount of work. This inconsistency may be due to an error committed in data reporting or it may be a result of the vagueness with which an institution's packaging practices are interpreted.

SUMMARY

Nine distinct packaging typologies were identified from the data collected. Although these typologies differed, the two most commonly used methods ("Non-Returnable Aid/Self-Help Ratio" and "Floating Grant Amount") provide for a grant award to be included in all aid packages. Regardless of the typology used, a notable level of agreement was reflected in the responses given to questions on selected packaging practices. These included: the treatment of summer earnings; the assessment of need for independent students; counseling provided on Guaranteed Student Loans; and the determination of self-help source (whether loans or work). One practice where inconsistency was most apparent was in the treatment of private (noninstitutional) aid.

SECTION V

STUDENT SERVICES: INSTITUTIONAL RESPONSIBILITIES

PREFACE

The remainder of this volume will focus on a number of the institutionally based services which must be provided for students in connection with financial aid. Among the areas of discusson will be: the administration of National Direct Student Loans (Chapter 10), the dissemination of information to students (Chapter 11), the monitoring of student enrollment status (Chapter 12), and the validation of student-reported data (Chapter 13). For the institution, the provision of these services presents many challenges, not the least of which is the necessity to coordinate the activities of the financial aid office with other administrative departments (e.g., business office, registrar, admissions office).

Each of the chapters herein will address specific duties which institutions are required to perform as part of their agreement to participate in the Federal student financial aid programs. Some of these functions (e.g., the loan collection and skip-trace aspects of NDSL compliance) seem to be beyond the purview of traditional institutional activities, while the counseling and enrollment-related functions cited appear compatible with the types of activities normally undertaken by postsecondary institutions.

10

ADMINISTRATION OF THE NATIONAL DIRECT STUDENT LOAN PROGRAM

INTRODUCTION

The purpose of the National Direct Student Loan Program (NDSL) is to "assist in the establishment and maintenance of low interest long-term deferred loan programs at institutions of postsecondary education, to students demonstrating need for financial assistance in order to pursue their courses of study at such institutions." In the Program Management Guidelines, the institution agrees to comply with the legal statutes, the "General Provisions Relating to Student Assistance Programs" found in Title IV-F of the Higher Education Act of 1965, as amended (20 U.S.C. 1088-1088g, "General Provisions"), and any regulations as they become effective, implementing those statutory requirements. The institution, therefore, agrees to (1) capitalize at least 10 percent of the fund, and (2) fulfill its legislative mandate, by managing the program according to Federal guidelines. Each of these agreed areas of responsibility will be discussed in turn.

Source of Funds

When an institution decides to participate in the NDSL program, it enters into a legally binding contractual relationship with the U.S. Commissioner of Education to provide the participating institution with up to 90 percent of the funds necessary to capitalize an NDSL program, and then to replenish the funds annually as necessary (but in accordance with program guidelines) to maintain the viability of the program. Of course, the goal is to have each participating institution achieve a "self-rotating status," in which a steady state is reached whereby the amount loaned each year is balanced by the amount received in loan repayments, thus requiring no additional contribution from the Federal Treasury. However, since loan repayments follow by several years the initial loan and are spread out over a number of years, the achievement of a self-rotating status may take several years. The achievement of this goal is also contingent upon the success of the institution in managing its collections.

Federal Management Guidelines

The Federal guidelines for management of the NDSL program entail very specific procedures which, by virtue of the institutional agreement with the Commissioner of Education, schools are required by law to follow. These procedures are designed to aid the institution in managing the NDSL program, and to side-step potential difficulties before they emerge.

The present guidelines, as written, are not only easy to understand, but contain requirements for repeating specific procedures at critical phases of the loan process in order to minimize the impacts of human error on the operation and financial viability of a program. Institutional compliance with the Federal guidelines involve about a dozen separate key elements for NDSL program management which fall into two main areas of management responsibility: counseling and record keeping.

The counseling activities specified in the Federal guidelines consist of both pre-loan counseling and exit interviewing, with encouragement to conduct additional counseling as well. In terms of pre-loan counseling, the guidelines stipulate that:

> ...it is essential to the sound administration of the loan programs that borrowers have as complete an understanding as possible of their responsibilities and rights under the programs. It is strongly recommended that either individual or group counseling sessions be held with the borrowers prior to advancing the loan. Pre-counseling sessions should clearly set forth the nature and purpose of the program, clearly indicating the borrower's obligation to repay. Each borrower must be given a copy of the Promissory Note which sets forth the terms of repayment along with the borrower's rights and obligations.

The Federal position on preloan counseling is very clear then: full information (with regard to the student borrower rights, obligations, and terms of repayment) is to be conveyed to the prospective borrower prior to the loan's being made, including the receipt of a copy of the Promissory Note.

The Promissory Note is the legally binding document between the student borrower and the institutional lender. It is evidence of indebtedness and, by signing the Promissory Note, the student enters a contractual relationship and acknowledges the receipt of the loan; the rights and obligations as a borrower; and the terms of repayment, deferment, and cancellation. Therefore, the guidelines again call for counseling at the time the loan is made but prior to the initial disbursement. The regulations state that:

> ...before an institution makes its first disbursement to a student, it must have one of its employees meet personally with that student to insure that the borrower understands his or her obligations under the loan, including the obligation to apply the proceeds only to educational expenses and the obligation to repay the loan. The interview may be held individually with each borrower, or with groups of borrowers. The institution must attach a copy of the repayment plan to the copy of the promissory note and give a copy of the plan to the borrower.

Clearly, counseling before and during the making of the loan are regarded as important management functions of the institution by the developers of the Federal guidelines. By the same token, a great deal of importance is placed on counseling at the time the student borrower leaves the institution. The NDSL regulations state that an institution must, if possible, conduct an exit interview with each borrower before the borrower leaves the institution and, insofar as feasible, these interviews must be conducted on an individual basis. However, if individual interviews are not feasible, a group interview is permitted.

During the exit interview, the institution must provide borrowers with a detailed explanation of their rights and obligations. Borrowers also must be informed of their obligation to repay the loan in accordance with the schedule. Furthermore, the school must inform borrowers that it is their responsibility to inform the institution of any change of address; each borrower must know the full amount of his/her loan and the interest rate; and each borrower must know the amount of the first payment and the date it is due. Deferment and cancellation possibilities should also be covered in exit interview sessions.

Record keeping seems to play an important a role in ensuring that students repay their educational debts. Alan Maynard, the Bursar at Brown University, states in the Journal of Student Financial Aid that:

> ...collections are just as dependent on good records as reports (i.e., reports to OE), and no evaluation of the collection effort at a particular institution can be made independently of those records and procedures. If colleges and universities, therefore, are having difficulty with collections, it behooves them to look at every phase of their record-keeping to be sure that it is accurate, reliable, and accessible before proceeding further.

There are a number of necessary and required record-keeping practices. These include:

- maintenance of the borrower's current address and enrollment status while in school;
- ensuring the borrowers notify the financial aid office upon leaving school;
- maintenance of viable communication with the registrar's office for communicating when a borrower does leave the institution;
- maintenance of the borrower's current address, after the borrower has left school;
- communication with the graduated or terminated borrower during the grace period;
- collecting from borrowers after the grace period is terminated; and
- locating "lost" borrowers, and collecting from delinquent accounts.

While the student is in school the participating institution is required to provide for the exchange of information among all appropriate institutional offices, e.g., the registrar, student financial aid, business, and alumni offices. This exchange will enable the institution to determine: (1) the date the borrower will graduate so that an exit interview may be scheduled; or (2) whether a student has left school without proper notice so that it may mail the borrower the required information.

Once the student leaves school, however, the responsibility of the institution continues. For each borrower student, there is a nine-month grace period, at the end of which repayment begins. During the grace period the school must:

- 90 days into the grace period, transmit to the borrower, in writing, the very same information it required to communicate during the exit interview, as well as any other information necessary to satisfy Truth-in-Lending Act regulations;
- 180 days into the grace period, notify the borrower of the date the borrower's grace period ends; and
- at least 30 days before the first payment is due, notify the borrower of that due date and amount.

In the case of students leaving the institution without notice, schools must also mail the borrower a copy of the promissory note and two copies of the repayment schedule, and must request the borrower to sign and return one of the copies of the repayment schedule.

As the grace period comes to a close, there is still another series of steps the institution is bound to follow as part of its agreement to participate in the NDSL program:

- the institution must send each borrower a letter of notice and a statement of account at least 30 days before the date on which the first repayment installment is due, and a statement of account at least 10 days before the due date of each payment after the first;
- if a payment or a deferment or cancellation form is not received within 15 days of its due date, the institution must contact the borrower to demand payment (first overdue notice);
- within 30 days of the date of the first overdue notice, if the borrower does not respond satisfactorily, it must contact the borrower again by telephone or in writing (second overdue notice);
- within 15 days of the date of the second overdue notice, if the borrower does not respond satisfactorily, it must contact the borrower by telephone or mailgram (third overdue notice); and

- within 15 days of the third overdue notice, if the borrower does not respond satisfactorily, it must send the borrower a final demand letter. The final demand letter must tell the borrower that the loan will be referred for collection or for litigation if the appropriate payment or loan is not received within 30 days.

At this point, if the institution is unable to communicate with the borrower, it must engage the services of a commercial skip-tracing organization or perform equivalent skip-tracing activities with its own personnel.

Legally, delinquency for an institution means "the principal amount outstanding on direct or defense loans in default for 120 days if repayment in monthly installments, and 180 days if repayable in less frequent installments." Once delinquency occurs, an institution must engage a collection agency or bring suit against delinquent borrowers if certain criteria are met: all reminder notices must have been sent, and the institution must be certain of the borrower's whereabouts.

In summary, then, if the institution has complied with the procedures incumbent upon it as an NDSL participant and the loan at this point is still in default, the following will have taken place:

- the borrower will have had an exit interview, or will have been mailed comparable information;
- the borrower will have been contacted three times during the grace period;
- the borrower will have been sent three notices subsequent to the first payment date;
- the borrower will have been sent a warning of collection of litigation effort;
- skip-trace activities will have been conducted, if the borrower cannot be contacted; and
- the borrower will have been notified of the intent to seek collection, satisfactory explanation, or suit.

At this point, the institution must bring suit against the borrower (or against any proper endorser) if collection efforts have failed, and if it is determined that the borrower has assets which may cover all or substantially all of the outstanding obligations; that the borrower has no known defense or satisfactory explanation of the delinquency; that the borrower's whereabouts are known, so that he/she can easily be served; and that the amount outstanding exceeds $500. The institution may choose to bring suit against the borrower even if these conditions are not met.

Clearly, the NDSL participating institution has a substantial series of mandated sequential procedures to follow in the management of an NDSL loan from the preloan counseling through potential legal action for collection of delinquent accounts. It is therefore not surprising that many participating institutions find that compliance with this sequence of procedures is difficult to maintain and that default rates have been reported which are correspondingly high. Recently, USOE has implemented a program, at the urging of then Secretary of Health, Education and Welfare, Joseph Califano, whereby schools can refer certain delinquent borrowers to USOE which will assume collection responsibilities. This procedure was initiated in response to institutional pleas for assistance in collecting from "hard-core" defaulters. Additionally, those borrowers referred to USOE can have their names removed from institutional default roles, thus lowering the school's calculated default rate. The next section briefly reviews some of the key issues surrounding compliance and loan default.

THE ISSUES

There are essentially six groups of interrelated issues which are to be addressed as part of the analysis of this chapter. A brief discussion of each will be undertaken prior to presenting the findings with respect to the research into each of the issues.

Compliance With Guidelines

In the description of the NDSL program above, the full panorama of procedures with which participating institutions are supposed to comply is itemized. The first issue is therefore to establish the extent of the compliance (and noncompliance) with each procedure and to determine whether noncompliance is pervasive across all categories of procedures or whether some of the guidelines are more susceptible to noncompliance than others (either across the board or by selected school types).

The Compliance-Default Relationship

One of the often stated results of noncompliance with the required NDSL processing procedures is an inflated rate of default on the NDSL repayments. The second issue then is to explore the relationship of noncompliance to the rate of default on NDSL repayments. This issue involves, not only a one-on-one examination of the compliance with specific required procedures and the corresponding default rate by type of school, but also an examination of the clustering of procedures where noncompliance is associated with the overall school default rate. This latter approach specifically recognizes the interactive nature of the impacts of noncompliance with individual required procedures on the overall default rate by type of school. Finally, this issue includes the identification of the differences in noncompliance profiles between those schools (by type) with high default rates and low default rates.

Default Rates and the Level of Effort

There is some concern that the root cause of noncompliance, and therefore excessive default rates by type of school, is the workload borne by the financial aid office (FAO) staff which is attributable to NDSL. The data are available from Chapter 5 on the composition and use of FAO staff in NDSL activities, and on the per staff member NDSL recipient loads faced by the financial aid offices of different types of schools, which can be correlated with the default rates calculated by type of school. It is expected that, at some point, increasing workloads will produce identifiable impacts (i.e., increases) on the schools' default rates.

Default Rates and the Costs of Education

This issue is raised because of the possibility that the availability of NDSL funds would influence the tuition and fee policy of the school, which, in turn, may have repercussions on the size of the NDSL loans, the students' abilities to pay, and the eventual default rate of the school. In order to address this issue, the cost of education by type of school will be correlated with the default rate, with the expectation that the cost of education, standardized by type of school, will positively influence the default rate.

As an alternative approach to this issue, it may be hypothesized that a tuition and fee-instigated increase in the average NDSL loan is facilitated by configuring the financial aid packaging process in order to accommodate the increase in tuition and fees. If this is the case and if it leads to higher default rates by type of school, then this effort should be identifiable through correlating the typology of aid packaging philosophies with default rates, having first standardized for the type of school.

School-Specific Delinquency Definitions

While there is a standard definition for repayment delinquency under the NDSL program, some schools are believed to employ definitions which, in fact, deviate from this standard in one direction or another. To the extent that these alternative definitions are used to initiate actions in the financial aid office, then the collection activities of the financial aid office should be more aggressive or less aggressive depending on whether the alternative definition is more restrictive or less restrictive, respectively. Therefore, this effect should manifest itself in high default rates (using the standard definition of delinquency) being associated with those schools using less restrictive alternatives, low default rates (using the standard definition of delinquency) being associated with those schools using more restrictive alternatives, and intermediate default rates for those schools using the standard definition of delinquency.

School Experience and the Default Rate

Lastly, there is an issue as to whether those institutions that have achieved self-rotating status on their NDSL program, and are presumably exercising more efficient and prudent management procedures, will have lower default rates than those institutions which have not achieved self-rotating status. The core of this issue is that the achievement of self-rotating status is an indication of the interest, dedication, and proven experience of the schools' staffs relative to the NDSL programs; and these attributes carry over into activities which will reduce the default rates of these schools. One potentially confounding influence in this issue may be the length of time that the program has been in operation at the school. This is particularly the case, since, even under the best of circumstances, the achievement of a self-rotating status is a very time-consuming process. Therefore, the examination of the relationship between the status of the school and its default rate should take place only after standardizing for the length of time the NDSL program has been in operation at the school.

THE RESULTS

A total of 137 institutions in this study reported that they administer National Direct Student Loans to their students. Basically, there are three classifications for these programs: (1) those which have achieved self-rotating status, (2) those that have not achieved self-rotating status, and (3) those that fluctuate between self-rotating and nonself-rotating from year to year which are referred to as "mixed." Table 10.1 shows the number of reporting institutions by these classifications, and institutional level and control.

In general, between one-tenth and one-quarter of the schools of each type had "mixed" NDSL programs, with proprietary and 4-year private schools at the upper end of this range, and the other school types near the lower end of the range. The most interesting pattern, however, is the distribution of schools by type between self-rotating and nonself-rotating status. For the 4-year and proprietary schools, between two and six times as many schools are nonself-rotating as are self-rotating, with 4-year private schools showing the largest difference. On the other hand, the 2-year schools show that half of all their NDSL programs are in the self-rotating-category.

Even though the numbers of schools reporting are much larger for 4-year than 2-year schools, the numbers should nevertheless be sufficient to explain the achievement of self-rotating status by the latter (and the nonachievement of this status by the former) during an examination of NDSL program operations, below.

TABLE 10.1: NUMBERS OF REPORTING SCHOOLS, BY NDSL FUND TYPE AND INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79

Fund Type	Institutional Level and Control				
	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Self-rotating	11	5	9	4	4
Nonself-rotating	32	29	6	3	8
Mixed	6	12	3	1	4
Schools Reporting (N=137)	49	46	18	8	16

Source: Institutional Site Visit Survey.

Compliance with Guidelines

The guidelines require compliance with many procedures. These can be categorized into two main groups: counseling and record keeping. Furthermore, as described earlier, the counseling takes place at a variety of times throughout the loan award and repayment process. Table 10.2 shows the level of compliance both prior to, and at the times of, the award of the loan. Of the 136 schools reporting, close to two-thirds provide counseling prior to the award of all school types, except 4-year privates for which only one-half report compliance. Comparable figures are reported for compliance with counseling at the time of the loan, except for proprietary schools which report a compliance rate of over 80 percent.

Compliance with both counseling requirements is partially predictable from these findings. Almost 45 percent of the proprietary schools report both counseling activities, while 4-year private schools report a combined compliance rate of less than 25 percent. The combined counseling compliance pattern is also reflective of an inverse pattern of total noncompliance. That is, none of the proprietary schools reported neither type of counseling, whereas almost 20 percent of the 4-year private schools reported no counseling prior to, or at the time of, the award.

TABLE 10.2: PERCENTAGE OF SCHOOLS COMPLYING WITH SELECTED NDSL AWARD COUNSELING GUIDELINES, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79

	Institutional Level and Control				
	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Counseling Prior to Award (N=81)	66.7	50.0	61.1	62.5	62.5
Counseling at Award (N=43)	60.4	54.4	61.1	62.5	81.3
Counseling both Prior to and at Award (N=42)	33.3	23.9	27.8	37.5	43.8
Counseling either Prior to or at Award (N=120)	89.6	80.4	94.4	87.5	100.0
Schools Reporting (N=136)	48	46	18	8	16

Source: Institutional Site Visit Survey.

Focusing on those 42 institutions complying with both counseling requirements, Table 10.3 shows that none of the schools, regardless of school type, relies solely on group counseling. In fact, few of these schools used group counseling even in combination with individual counseling. None of the 2-year private schools did so, and only between 20 and 30 percent of the other nonproprietary schools did so. Only in the cases of proprietary schools was group counseling extensively used (about 43 percent).

Clearly, for those schools complying with the two initial counseling requirements, primary reliance was placed on individual counseling. Even for proprietaries, which used group counseling the most, over 50 percent relied entirely on individual counseling. In the case of 2-year private schools, all three of the "compliers" relied on individual counseling. (Since no schools relied solely on group counseling, all schools used some individual counseling.)

TABLE 10.3: PERCENTAGE OF SCHOOLS WHICH COMPLY WITH NDSL AWARD COUNSELING REQUIREMENTS AND WHICH ALSO COMPLY WITH OTHER AWARD COUNSELING SPECIFICATIONS, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79[1]

	Institutional Level and Control				
	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Counseling Type					
Individual Only	68.7	81.8	80.0	100.0	57.1
Group Only	0.0	0.0	0.0	0.0	0.0
Both Individual and Group	31.3	18.2	20.0	0.0	42.9
Counseling Subjects					
Repayment Terms	87.5	100.0	100.0	100.0	100.0
Interest Charges	100.0	100.0	100.0	100.0	100.0
Debt Limit	68.8	63.6	80.0	33.3	71.4
Withdrawal Notice	100.0	100.0	100.0	100.0	100.0
Address Change	100.0	90.9	100.0	100.0	100.0
Personal Data	75.0	81.8	100.0	66.7	100.0
Schools Reporting (N=42)	16	11	5	3	7

Source: Institutional Site Visit Survey.

[1] This entire table is based upon the 42 schools which reported complying with the required counseling both prior to and at the award of the NDSL.

The remainder of Table 10.3 examines the content of the counseling undertaken by the 42 complying schools. For the most part, the schools of this category report that the content of the interviews conform to that specified by the regulations. Some noncompliance is present in all school types in the explanation of the limitation of the debt, which averages about one-third of the schools. Noncompliance is notably lower than this in 2-year public schools, but double the average in 2-year private schools. Lastly, 4-year public schools frequently do not discuss the repayment terms during the interviews.

While the schools shown in Table 10.3, which conducted interviews both at the time of the NDSL award and prior to the award, always conducted individual interviews (sometimes supplemented with group interviews), the schools shown in Table 10.4, which conducted interviews only prior to award, frequently relied on group interviews alone and seldom used group interviews to supplement individual interviews. In terms of the comparison of responses on interview contents, however, the results are mixed. The compliance for some items is higher (e.g., debt limit), whereas for several of the items, particularly for the 4-year schools, lower compliance rates are shown. This is the case for the critical items of "withdrawal notice" and "address change" requirements. Less personal data are also acquired by the prior-to-award group schools, but this is not a required component of the interview.

TABLE 10.4: PERCENTAGE OF SCHOOLS WHICH COMPLY WITH THE PRIOR-TO-AWARD COUNSELING REQUIREMENT ONLY WHICH ALSO COMPLY WITH OTHER NDSL AWARD COUNSELING SPECIFICATIONS BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79[1]

	Institutional Level and Control				
	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Counseling Type					
Individual Only	66.7	83.3	83.3	100.0	100.0
Group Only	20.0	8.3	16.6	0.0	0.0
Both Individual and Group	13.3	8.3	0.0	0.0	0.0
Counseling Subject					
Repayment Terms	93.3	100.0	100.0	100.0	100.0
Interest Charges	86.7	75.0	100.0	100.0	100.0
Debt Limit	86.7	66.7	83.3	100.0	100.0
Withdrawal Notices	93.3	83.3	100.0	100.0	100.0
Address Change	80.0	75.0	83.3	100.0	100.0
Personal Data	73.3	66.7	66.7	50.0	66.7
Schools Reporting (N=38)	15	12	6	2	3

Source: Institutional Site Visit Survey.

[1] This table is based on the 38 schools which reported complying with the pre-award counseling requirement only.

Continuing with this theme, Table 10.5 examines the responses of those schools conducting contemporary award interviews only. In terms of group vs. individual interviews, somewhat the same reliance is placed on individual interviews by these schools as did the prior-to-award schools, along with about the same level of sole reliance on group interviews (note the exception for 2-year public schools), but almost no use of group interviews to supplement individual interview. The level of compliance on individual interview items conforms generally to that reported for prior-to-award-only schools, although proprietary schools showed a marked decrement in compliance.

The question was also asked of NDSL schools as to whether a general statment was provided to the student with the loan offer, the form of the statement, and the content of the statement. Table 10.6 shows that between 88 and 100 percent of schools provided such statements to the students, with 2-year schools being under 90 percent and proprietary schools being at 100 percent. When limiting the question to written statements, the percentages for private schools drop to around 80 percent, public schools remain at about 90 percent, and proprietary schools remain at 100 percent.

Whether the statement was verbal or written, each school was asked the content of the statement. Table 10.6 shows that, of all schools asked, between 70 and 100 percent provided the content items depending on the item and the type of school. While the percentages reported are bounded on the upward side by the percentage of schools providing such statements, it is clear that the contents of the statements are generally mixed. The contents are particularly mixed in the proprietary schools and the 4-year schools. Also, note that many of the content items are provided orally rather than in written form. This occurs at a minimum whenever a larger percentage of schools report supplying the content item than report providing a written statement.

TABLE 10.5: PERCENTAGE OF SCHOOLS COMPLYING WITH THE CONTEMPORARY AWARD COUNSELING REQUIREMENT ONLY WHICH ALSO COMPLY WITH OTHER NDSL AWARD COUNSELING SPECIFICATIONS BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79[1]

	Institutional Level and Control				
	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Counseling Type					
Individual Only	81.8	78.6	100.0	100.0	66.7
Group Only	18.2	21.3	0.0	0.0	16.7
Both Individual and Group	0.0	0.0	0.0	0.0	16.7
Counseling Subject					
Repayment Terms	83.3	85.7	83.3	100.0	100.0
Interest Charges	83.3	92.9	100.0	0.0	83.3
Debt Limit	66.7	71.4	50.0	50.0	33.3
Withdrawal Notice	91.7	85.7	83.3	100.0	83.3
Address Change	91.7	92.9	100.0	100.0	83.3
Personal Data	50.0	50.0	100.0	50.0	50.0
Schools Reporting (N=40)	12	14	6	2	6

Source: Institutional Site Visit Survey.

[1] This table is based on the 40 schools which reported complying with the requirement to counsel students at the time of the NDSL award only.

TABLE 10.6: PERCENTAGE OF SCHOOLS PROVIDING GENERAL STATEMENTS WITH THE NDSL LOAN OFFER, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC-YEAR 1978-79

	School Type				
	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Schools Providing Statements	95.8	91.3	88.2	87.5	100.0
Schools Providing Written Statements	91.7	82.6	88.2	75.0	100.0
Statement Contents					
Promissory Note	70.8	73.9	88.2	75.0	75.0
Source of Funds	70.8	71.7	76.5	75.0	68.8
Interest Notes	89.6	87.0	88.2	75.0	100.0
Cancellation Provisions	83.3	89.1	82.4	75.0	68.8
Grace Period	85.4	84.8	88.2	75.0	87.5
Repayment Terms	81.3	78.3	76.5	87.5	100.0
Schools Reporting (N=135)	48	46	17	8	16

Source: Institutional Site Visit Survey.

Counseling, of course, does not end with the initial award of the NDSL. The next key counseling activity is the exit interview. Of the 138 schools reporting, all but two (two out of 16 proprietaries) reported that they hold exit interviews with the student. A total of 134 of the 136 schools holding exit interviews reported further on the type of interviews held. Table 10.7 shows that for most school types, 60 percent or more of the schools used individual interviews (for proprietary schools, the percentage is well over 90). For 2-year private schools, however, group interviews were used as often as were the individual interviews.

In terms of subjects covered during these exit interviews, a great deal of compliance is reported. Table 10.7 shows that at least 90 percent compliance was achieved for all items in all schools, except for the terms of the repayment which was covered in only 84 percent of the 4-year public schools. Note that compliance in all items was achieved by the eight 2-year private schools. These results are altered only marginally when the percentage of eligible students receiving an exit interview is examined by type of school. Apparently, the public schools are able to provide exit interviews to about 10 percent less of the NDSL recipients than do their private school counterparts. At the same time, 2-year schools provide exit interviews to about five percent more of the loan recipients than do the 4-year schools. The proprietary schools are in the middle, with almost 90 percent of exit interviews completed, whereas the 2-year private schools lead with almost 97 percent, and the 4-year public schools trail with only 80 percent of loan recipients covered by an exit interview. These results are consistent with the full coverage of exit interview subjects reported by 2-year private schools, and the less than full coverage reported by 4-year public schools. But, it is clear that the greater coverage of the 2-year private schools is expedited through a very high usage of group (as opposed to individual) interviews, which may be less effective in the long run.

Of course, one explanation for the inability to administer exit interviews to all NDSL recipients is that the borrowers may drop out of school without going through formal severance of their relationship with the school, or they may simply not show up for a scheduled interview

TABLE 10.7: PERCENTAGE OF SCHOOLS CONDUCTING NDSL EXIT INTERVIEWS WHICH COMPLY WITH OTHER EXIT INTERVIEW SPECIFICATIONS, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79

	Institutional Level and Control				
	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Counseling Type					
Individual Only	62.0	75.0	88.9	50.0	92.9
Group Only	34.0	20.5	11.1	50.0	7.1
Both Individual and Group	4.0	4.5	0.0	0.0	0.0
Schools Reporting (N=134)	50	44	18	8	14
Counseling Subject 1/					
Repayment Terms	84.0	93.5	88.9	100.0	92.3
Loan Amount	96.0	97.8	100.0	100.0	100.0
First Payment Due	96.0	93.5	88.9	100.0	100.0
Cancellation Provisions	98.0	100.0	100.0	100.0	100.0
Accelerated Payment	98.0	97.8	100.0	100.0	100.0
Change of Address	98.0	95.7	100.0	100.0	100.0
Schools Reporting (N=135)	50	46	18	8	13
Students Receiving Exit Interviews	80.4	90.5	85.8	96.6	87.7
Schools Reporting (N=130)	47	45	17	8	13

Source: Institutional Site Visit Survey.

1/Multiple responses as allowed.

session. Table 10.8 shows that formal communication procedures are in effect between the registration office and the financial aid office in between two-thirds and four-fifths of the schools. The highest is 4-year private schools, while the lowest is 2-year private schools. This is a bit of a surprise considering the high percentage of NDSL recipients receiving exit interviews in 2-year private schools, but the answer may be in the timing of the notification of termination.

Table 10.8 shows that, indeed, the 2-year private schools tend to discover student dropouts sooner than other school types. Furthermore, it appears that the 4-year public schools do not discover a majority of the dropouts until the start of the next semester. Assuming these statistics, an early dropout detection system is effective in increasing the proportion of students receiving exit interviews but, just as importantly, the frequency of dropouts combined with the typically slow discovery process increases the importance of the preaward and on-receipt counseling, which are the last points at which contact with the recipient is assured.

Following the exit interview, loan recipients are contacted and tracked during the nine-month grace period, as well as after the grace period if the loan is in default. Virtually all of the schools which reported that they administered NDSL programs also indicated that they tracked NDSL recipients during the grace period (135 out of 137). There were differences exhibited, however, with regard to the contact medium used. Table 10.9 indicates the frequency of usage of four of the most common media: (1) three contacts by letter, (2) three contacts by telephone, (3) three contacts by telegram, and (4) the mailing of a package containing the Promissory Note and two copies of the repayment schedule with the request that one copy be signed and returned. The letter is the most common procedure, and is used more than twice as frequently as the second most common procedure: the package. The use of telegrams is the least common procedure.

TABLE 10.8: PERCENTAGE OF SCHOOLS WITH FORMALIZED PROCEDURES TO MONITOR STUDENT TERMINATION, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79

	Institutional Level and Control				
	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Formal Procedures in Effect	72.3	82.2	77.8	66.7	71.4
Schools Reporting (N=13)	47	45	18	6	14
Discovery of Dropouts					
Prior to End of Term	22.0	34.1	29.4	75.0	80.0
End of Academic Term	24.0	25.0	35.3	12.5	6.7
Start of Next Term	54.0	40.9	35.3	12.5	13.3
Schools Reporting (N=134)	50	44	17	8	15

Source: Institutional Site Visit Survey.

TABLE 10.9: PERCENTAGE OF SCHOOLS USING SELECTED GRACE PERIOD TRACKING PROCEDURES FOR NDSL, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79

	Institutional Level and Control				
	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Contact Medium 1/					
Letter	79.6	70.5	72.2	87.5	75.0
Telephone	20.4	9.1	22.2	37.5	12.5
Telegram	6.1	0.0	0.0	12.5	6.3
Package	30.6	38.6	22.2	37.5	37.5
Schools Reporting (N=135)	49	46	16	8	16
Borrowers Successfully Tracked	84.3	80.9	69.2	91.6	69.7
Schools Reporting (N=106)	39	35	14	7	11

Source: Institutional Site Visit Survey.

1/Multiple responses are allowed.

The figures on Table 10.9 clearly imply that all school types frequently use more than one medium in their tracking activities. The most tracking is undertaken by 2-year private schools, however. These schools show the highest percentages using the media of letter, telegram, and telephone, and are near the top in the use of the package. This is consistent with the high degree of compliance shown above for the exit interview, and explains the over 90 percent of borrowers successfully tracked by this type of school.[1/] The two least successful "trackers" by this measure are proprietary schools and 2-year public schools, with less than 70 percent successfully tracked. The former is low in telephone usage, although average or above in all other media; whereas the latter is low in telegram and package usage, although average in the other media. This suggests that the use of multiple media is necessary to achieve success in borrower tracking during the grace period.

The last set of compliance activities involves those procedures used in dealing with delinquent borrowers. First of all, Table 10.10 shows that a wide discrepancy exists in the percentage of schools tracking delinquent accounts themselves. As little as 25 percent of the proprietary schools do their own tracking, while just over 50 percent of 2-year public schools, and 70 to 75 percent of the remaining school types do so. The use of commercial organizations to do the tracking has much less variation (note that most schools use both methods). Proprietary and 2-year private schools use these firms a little over 60 percent of the time, while other school types rely on these agencies 75 to 80 percent of the time.

Table 10.10 also indicates the frequency of usage of different techniques to induce repayment of delinquent accounts. The favorite technique is to employ a collection agency. About 90 percent of all school types use this approach. In addition, however, strongly worded

---

[1/] It should be pointed out that two-thirds of all schools are able to contact at least 90 percent of their NDSL recipients. The average percentages shown on Table 10.9 reflect the fact that ten percent of schools are unable to contact half of their NDSL borrowers (two percent contact no borrowers).

TABLE 10.10: PERCENTAGE OF SCHOOLS USING VARIOUS PROCEDURES TO DEAL WITH NDSL DELINQUENCY, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79

	Institutional Level and Control				
	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Tracking Organizations[1]					
School	68.0	69.6	52.9	75.0	25.0
Commercial Agency	74.0	78.3	76.5	62.5	62.5
Schools Reporting (N=137)	50	46	17	8	16
Collection Procedures[1]					
Penalty Charges	14.3	17.4	12.5	12.5	12.5
Strong Letters	85.7	87.0	68.8	87.5	56.3
Attorney	55.1	41.3	12.5	25.0	12.5
Collection Agency	87.8	89.1	87.5	87.5	93.8
Schools Reporting (N=135)	49	46	16	8	16
Pre-Legal Action Contacts					
No Legal Action	11.1	17.8	14.3	12.5	0.0
Less Than Three Contacts	11.1	6.7	0.0	0.0	0.0
Three or Four Contacts	24.4	15.5	57.1	37.5	40.0
Greater than Four Contacts	53.3	60.0	28.6	50.0	60.0
Schools Reporting (N=127)	45	45	14	8	15

Source: Institutional Site Visit Survey.

[1] Multiple responses are allowed.

letters are sent by about 85 percent of the schools (lower in 2-year public and proprietary schools). Other techniques, such as adding penalty charges and employing an attorney are much less frequently used. The only exceptions are the 4-year schools which use attorneys about half the time.

The last measure of delinquent account activity on Table 10.10 is the frequency that contact is made prior to taking legal action. Clearly, the pattern of handling these accounts varies by type of school. At one end of the distribution, proprietary schools require more than four contacts prior to taking legal action on a delinquent account in the majority of cases, and always require at least three contacts before action. Also, note, however, that none of the proprietary schools refused to use legal action as a remedy. They give the delinquent student plenty of opportunity to repay the loan, but eventually always end up by taking legal action (the only school type to consistently do so).

All other schools refuse to take legal action between 10 and 15 percent of the time. On the other hand, the 4-year schools in 5 to 10 percent of the time will take action with less than three student contacts. In spite of these tendencies, however, the 4-year schools still require at least five contacts in the majority of instances. Two year schools, on the other hand, in no cases take legal action with less than three student contacts and, only in the case of private schools, require more than four contacts in the majority of cases. Public 2-year schools require more than four contacts in less than 30 percent of the time.

In summary, the feature that strikes one immediately is the large number of activities that a school must undertake in order to be in compliance with the guidelines. Furthermore, the type of activities required could be considered outside the normal range considered as traditional with an institution of postsecondary education. It is not surprising then to find that compliance with these procedures is very mixed. Compliance is fairly low in the area of preaward and contemporary-award counseling. Compliance increases with the exit interviews, although a substantial number of exiting students are still missed, and the quality of the interviews remains in doubt. Compliance then falls off with grace-period tracking and delinquent account activities, but this might be expected considering the difficulties of such activities.

In general, even if full compliance were observed (and it isn't), a great deal of concern would be expressed regarding the quality of the activities undertaken. In this study some effort was expended to consider the qualitative aspects, but a great deal was left to be determined. In spite of this, there is a tendency to try to identify where compliance (both qualitative and quantitative) is the best. The above statistics tend to imply that compliance is best in 2-year private schools and worst either in 4-year schools or 2-year public schools, depending on which of the various statistics are selected.

The key, however is not how good the compliance is per se, because regulatory compliance is only an intermediate goal (or at least it should be). Rather, the goals of the NDSL program are equitable distribution of the aid (discussed in Volume II of this report) and the efficient operation of the program in terms of a reasonable (a low) default rate. Whether such a measure of efficiency is systemmatically related to the nature and extent of regulatory compliance is the subject of the analysis in the next section of this chapter.

The Compliance-Default Relationship

For purposes of this analysis, default rates are defined as the amount of NDSL funds currently in default divided by the amount of NDSL funds currently in repayment status (excluding funds loaned to students currently enrolled, still in the grace period, or for whom the debt has been cancelled or deferred). Note that this definitiion embodies the NDSL activities of the school over a number of years, so that any attempt to correlate the default rate, as calculated with current guideline compliance, runs the risk of substantial confounding, unless the degree of compliance has been constant throughout the history of the NDSL program at each school -- a very unlikely event. However, if there is actually a strong relationship between regulatory compliance and eventual loan default, an attempt to measure this relationship, even under the circumstances described above, should exhibit some systematic association. That is, if there is actually a strong association, we should be able to measure some of the association in spite of the historical confounding but, if the underlying relationship is not strong, the confounding influences are likely to render any relationship unmeasurable with the existing data.

With these points in mind, Table 10.11 shows the overall default rates by level and control of school. This table exhibits a substantial range of default rates, with 2-year public schools taking the clear lead, and proprietary schools following closely behind. The other three school types are all grouped around 15 percent, which is less than half of that of the 2-year public schools, but nevertheless high in absolute terms. Unfortunately for the analysis, the number of observations for proprietary schools, and in some instances for 2-year private schools as well, will restrict or prohibit analysis of the cause of the observed level of NDSL default.

TABLE 10.11: NDSL DEFAULT RATES IN PERCENTAGES, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79

	Institutional Level and Control				
	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Default Rate(%)	14.8	17.0	34.4	18.4	27.2
Schools Reporting (N=119)	43	50	17	7	2

Source: Institutional Site Visit Survey and 1979 FISAP File supplied by USOE.

Table 10.12 presents the default rates as they are associated with various compliance items, as well as related operating features of the financial aid office. For example, Table 10.12 contains a breakdown by the type of repayment plan used for NDSL. Specifically, the three NDSL repayment plans included are:

Plan 1 = Equal total payment of principal and interest each year;
Plan 2 = Equal payment of principal plus payment of interest on the unpaid balance; and
Plan 3 = Graduated periodic installments.

The default rates on Table 10.12 exhibit few consistent patterns, and often exhibit patterns contrary to expectations. For example, two school types have higher default rates for those schools with self-rotating NDSL accounts than for those without self-rotating accounts. Additionally, providing a general statement to the student is associated with higher, rather than lower, default rates; and, if the statement is in writing, the default rate is higher still. This same contrary finding is shown, in general, with regard to taking legal action: those schools which never take legal action against defaulters usually have lower default rates. Cause and effect may be reversed here, but the default rates are high enough in these schools to ordinarily suggest that legal action would be beneficial.

Usually, graduated periodic installment payments are associated with lower default rates, but extensive counseling is not reflected in lower default rates. In fact, on average, 2-year schools that do no counseling have lower default rates than those that conduct both prior-to, and at-the-time-of, award counseling.

Clearly, gross relationships between regulation compliance and default rates and selected program operation characteristics are difficult to detect. Therefore, in order to attempt to sharpen the measured relationships, a comparison of the distributional extremes (in terms of default rates) will be made, along with an attempt at multivariate analysis. First, however, a few more potentially meaningful gross relationships will be examined.

TABLE 10.12: NDSL DEFAULT RATES, IN PERCENTAGES, FOR SELECTED COMPLIANCE CONDITIONS, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79[1]

	Institutional Level and Control				
	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Funding Status					
Self-Rotating	14.5(9)	19.8(5)	27.1(9)	18.3(3)	27.2(2)
Not Self-Rotating	14.5(27)	15.6(29)	39.3(5)	22.0(3)	---
Mixed	14.2(6)	20.8(12)	37.0(2)	8.1(1)	---
Counseling					
None	14.3(4)	19.1(9)	10.4(1)	10.0(1)	27.2(2)
Prior Only	16.5(14)	16.6(12)	31.8(5)	0.0(1)	---
Contemporary Only	14.2(9)	17.2(14)	42.5(6)	43.5(2)	---
Both	14.6(8)	17.2(11)	22.5(4)	10.7(3)	---
Statement Provided					
Yes	15.0(39)	17.4(42)	35.0(14)	19.8(6)	27.2(2)
No	6.6(3)	17.5(4)	24.1(1)	10.0(1)	---
Written Statement					
Yes	15.2(37)	17.9(35)	35.0(14)	19.8(6)	27.2(2)
No	12.5(2)	12.7(4)	---	---	---
Repayment Types[2]					
Plan 1	15.8(14)	18.8(21)	39.7(7)	8.0(4)	42.7(1)
Plan 2	17.8(25)	17.7(26)	33.6(7)	33.7(3)	11.7(1)
Plan 3	11.6(6)	14.3(9)	13.7(3)	12.0(2)	---
Legal Action Taken					
Yes	14.3(35)	17.1(40)	34.8(12)	21.5(6)	27.2(2)
No	15.2(3)	14.9(8)	10.4(1)	0.0(1)	---

Source: Institutional Site Visit Survey and 1979 FISAP File supplied by USOE.

---

[1] The number of observations upon which each default rate is based is shown in parentheses next to the percentage in question.

[2] Multiple responses are allowed.

School Experience and the Default Rate

One of the potentially important relationships to be explored is that between NDSL fund status and loan default, having standardized for the school experience in NDSL management. The hypothesis is that quick achievement of self-rotating status is indicative of an efficient operation and a likelihood of a low default rate, whereas continued not self-rotating status over a number of years is indicative of the opposite. Table 10.13 presents the available standardized default rates.

TABLE 10.13: NDSL DEFAULT RATES, IN PERCENTAGES, FOR NDSL FUND STATUS AND YEARS IN OPERATION, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79[1]

	Institutional Level and Control				
	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Self-Rotating Fund					
Less than 11 years	---	---	16.4(3)	10.0(1)	27.2(2)
Greater than 10 years	14.6(9)	19.8(5)	32.5(6)	22.4(2)	---
Not Self-Rotating Fund					
Less than 11 years	46.2(1)	10.3(7)	39.2(4)	---	---
Greater than 10 years	13.3(26)	17.2(21)	39.5(1)	22.0(3)	---
Mixed Status Fund					
Less than 11 years	---	11.4(2)	---	8.1(1)	---
Grater than 10 years	14.2(6)	22.7(10)	37.0(2)	---	---

Source: Institutional Site Visit Survey and 1979 FISAP File supplied by USOE.

[1] The number of observations upon which each default rate is based is shown in parantheses next to the percentage in question.

Extremely mixed results are evident. Self-rotating and mixed status funds do show (for those figures available) that lower default rates are associated with quick achievement of the fund status (10 years or less), but the converse is not the case. The more experienced schools with not self-rotating NDSL funds should have higher default rates. This is not always the case. While the more experienced 4-year private schools with not self-rotating funds do have higher default rates than their less experienced counterparts, their default rates are still lower on average than those with similar experience but with self-rotating or mixed status funds. Furthermore, for other school types without self-rotating or mixed status funds, the relationship between default rates of schools with different experience levels is opposite of that for 4-year private schools.

The Influence of Delinquency Definitions

While the definition of default rates used for the calculations in this chapter is the same for each school, the definition of delinquency used by each school in its NDSL loan collection activities varies. The hypothesis is that if a school actually uses a definition of delinquency which is more restrictive than the Office of Education's definition, then the default rate as calculated (using the standard definition) should be lower due to more intensive and quicker collection attempts.

Table 10.14 shows that such is the case only for 4-year schools and for 2-year public schools. For the 2-year private schools, the effect is the opposite, and quite strongly so. In any event, for both public school types, even though the direction of the effect is as predicted, the size of the effect is very small and not statistically significant. Furthermore, in the case of 2-year public schools, not only is the predicted effect small, but the result leaves both default rates (i.e., that for schools using the USOE standard, and those using more restrictive standards) at very high levels (near 30 percent).

Default Rates and the Cost of Education

Earlier it was hypothesized that the higher the cost of education the higher the expected default rate (all other things equal). Table 10.15 shows that this hypothesis is confirmed for 2-year schools, but not for 4-year schools or proprietary schools.

TABLE 10.14: NDSL DEFAULT RATES, IN PERCENTAGES, FOR DELINQUENCY DEFINITION CATEGORIES, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79[1]

	Institutional Level and Control				
	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
USOE Standard	15.1(19)	19.5(23)	31.0(6)	25.3(4)	42.7(1)
More Restrictive	14.1(20)	12.4(19)	29.8(7)	9.3(3)	---

Source: Institutional Site Visit Survey and 1979 FISAP File supplied by USOE.

[1] The number of observations upon which each default rate is based is shown in parentheses next to the percentage in question.

Since the influence of the cost of education on the default rate is hypothesized to operate through the financial aid packaging mechanism, the default rate packaging philosophy relationship is examined directly on Table 10.15. The packaging plans presented on Table 10.15 are categorized into five types, which represent a collapsing of the nine types presented earlier in Chapter 9:[1]

Pack 1 = Nonreturnable Aid/Self-Help Ratio: institutions seek to equalize the ratio of grants to self-help support for all students;

Pack 2 = Fixed Self-Help and/or Work: self-help (including loans) and/or work are the first sources of aid that are packaged;

Pack 3 = Floating Grants: all students receive some grant support, but no fixed ceilings or floors are established;

Pack 4 = Grants Float or are Zero: same as Pack 3 except that not all students receive some grant support; and

Pack 5 = No Established Rules: students are treated on an individual first-come, first-served basis.

---

[1] Specifically, packaging types II, V, and VIII were dropped due to a lack of observations, and the categories III and IV were combined. This same collapsing of packaging types is followed in Chapter 8 of Volume II of this report.

TABLE 10.15: NDSL DEFAULT RATES, IN PERCENTAGES, FOR COST OF EDUCATION AND PACKAGING PHILOSOPHY CATEGORIES, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79[1]

	Institutional Level and Control				
	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Cost of Education[2]					
Below the mean	15.4(20)	19.4(27)	31.6(6)	8.0(3)	42.7(1)
Above the mean	14.2(23)	14.2(23)	35.9(11)	26.3(4)	11.7(1)
Packaging Type					
Pack 1	13.9(16)	19.6(16)	32.1(5)	27.4(2)	---
Pack 2	11.4(8)	14.2(9)	42.4(2)	---	---
Pack 3	18.0(13)	17.0(11)	43.0(5)	11.9(2)	---
Pack 4	17.7(2)	10.6(6)	28.1(4)	16.8(3)	---
Pack 5	13.1(4)	23.5(6)	12.3(1)	---	27.2(2)

Source: Institutional Site Visit Survey and 1979 FISAP File supplied by USOE.

[1] The number of observations upon which each default rate is based is shown in parentheses next to the percentage in question.

[2] The mean value used as the cutoff point was calculated on the basis of all the schools in the NDSL sample, not just those for which default rates could be calculated.

The pattern of financial aid packaging shown on Table 10.15 is very mixed. For example, default rates for 4-year public schools are highest for those using packaging philosophy 3 and lowest for those using packaging philosophy 2, whereas 4-year private schools have the highest default rates in those schools with no packaging philosophy, and the least in schools using packaging philosophy 4. When examining 2-year schools, two rather unique patterns are identified. In private 2-year schools, packaging philosophy 1 has the highest average default rate and philosophy 3 the least. This is contrasted with 2-year public schools in which philosophy 3 is associated with high defaults and no philosophy with the lowest defaults.

Clearly there may be some association between the costs of education and default rates, but the manner in which packaging philosophies are used as the mechanism for producing the effect is unclear. Further analysis may serve to bring this to light.

Default Rates on the Level of Staff Effort

Also described in the Issue section of this chapter was the concern that noncompliance with the guidelines (or, as we have learned to this point in the chapter, the "quality" of the compliance) is associated with varying staff workloads which, in turn, influence the NDSL default rate. In order to test this relationship, a series of three measures of the financial aid office work effort were correlated with categories of default rates on Table 10.16. The first of these measures is the annual staff allocated to NDSL in terms of person-years. Table 10.16 shows the mean default rates for those schools above and below the average in person years of NDSL staff effort. The hypothesis is that those below the mean should have higher default rates because of a lack of effort relative to those above the mean. In fact, for all public schools, this is the case. The second measure used is the number of weeks per staff person per year devoted to NDSL activities. Here again, as with the first measure of NDSL work effort, the hypothesis is confirmed for public schools, but not for the 4-year private schools.

The third measure is slightly different in that a higher number of NDSL recipients per NDSL office worker should be associated with higher default rates. But again, a similar pattern emerges. The public schools confirm the hypothesis, while the 4-year private schools do not (although, as before, the figures for this school type are very close). In this instance, however, comparative statistics for 2-year private schools are available which strongly support the contrary findings for the 4-year private schools. It is unclear at the present time why public schools should support the hypothesis, and private schools should not.

TABLE 10.16: NDSL DEFAULT RATES, IN PERCENTAGES, FOR LEVELS OF FINANCIAL AID OFFICE STAFF EFFORT, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79[1]

	Institutional Level and Control				
	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
NDSL FTE Staff					
Below the mean	15.8(30)	15.6(27)	34.8(16)	18. 4(7)	27.2(2)
Above the mean	12.5(13)	18.7(23)	28.8(1)	---	---
NDSL Weeks Per Staff					
Below the mean	15.6(34)	16.8(36)	34.8(16)	18.4(7)	27.2(2)
Above the mean	11.7(9)	17.6(14)	28.8(1)	---	---
Recipients/NDSL Staff					
Below the mean	14.4(36)	17.1(39)	32.8(12)	23.8(5)	27.2(2)
Above the mean	16.8(7)	16.8(11)	38.3(5)	5.0(2)	---

Source: Institutional Site Visit Survey and 1979 FISAP File supplied by USOE.

[1] The mean values used for the cutoff points were calculated on the basis of all the schools in the NDSL sample, not just those for which default rates could be calculated. The number of observations upon which each default rate is based is shown in parentheses next to the percentage in question.

Profiles of Extremes in Default Rates

To this point, analyses of default rates using the full set of observations have not produced many definitive answers. This may be due to the influence of confounding factors that could not be accounted for through three- or four-way cross-tabulations (see the following section for a multivariate approach) or to weaknesses of the underlying relationship (as measured) due to the time dimension differences inherent in default rates and program operations and compliance variables (see the discussion above). In order to strengthen the perception of impacts of selected variables on default rates, profiles of high default rate schools were compared with profiles of low default rate schools. To do this, the average characteristics of those schools with default rates below the 25th percentile within each type of school were compared with the average characteristics of those schools of a corresponding type with default rates above the 75th percentile. Because of a lack of observations, only the 4-year schools and 2-year public schools could be included in this analysis.

Most of the figures on Table 10.17 show very mixed results. That is, the differences in the percentages of schools having the characteristic (in some cases the mean values of the characteristic itself) are as likely to favor high-default schools over low-default schools of one school type, as they are to favor low-default schools over high-default schools when considering another school type. For example, the expected higher percentage of low-default schools use counseling at the time of the award than do high-default schools within 4-year schools, but the opposite is found within 2-year public schools. Again, the higher default schools are found to have larger student enrollments within the public schools, but lower student enrollments within the private schools.

Some relationships on Table 10.17 are consistent across school types, but contrary to the hypothesized relationship. For example, the use of two of the contact media, letter and telephone, is associated more with high default rate schools than with low default rate schools, consistently across all school types. Also, more high-default schools use commercial firms to track delinquent borrowers than do low-default schools.

In spite of these anomalies and mixed findings, there are several items for which the results are consistent across school types and compatible with the hypothesized relationship. More high default rate schools are of the mixed status fund type than low-default schools, more of the high-default schools utilize the repayment plan which requires equal payments with full interest on the unpaid balance included in the payment and the residual of the payment going to principal (Plan 2), and more of the low-default schools utilize periodic payments of graduated size. Thus, the funding status of the school may have some impact on the default rate under certain circumstances, but the type of repayment plan seems to be a likely influence on the repayment propensities of the students in all cases.

The low default rate schools seem to track a higher percentage of borrowers during the grace period regardless of school type, and the packaging philosophy of "Floating Grants" seems to be associated in a systematic fashion with high default rate schools; but the clearest association found on Table 10.17 is that between the workload of the financial aid office staff and the school default rate. That is, the ratio of NDSL recipients to staff members is much higher for the high default rate schools than for the low default rate schools. This means that the effort devoted to the monitoring of each recipient on average (i.e., the quality of the procedure compliance) is much lower for high default rate schools and may, in fact, be a significant contributor to the higher default rates observed.

Multivariate Analysis of Default Rates

In order to ascertain the net effect of the variety of potential explanatory factors presented on the NDSL default rates for the schools sampled, a multivariate (regression) approach was instituted. Through this method it is possible to jointly consider a wide selection of potential explanatory variables, an attempt that is impractical using a cross tabulation approach. A series of three regression runs were made in order to identify the subset of variables which had statistically meaningful influence on the NDSL default rate.

Table 10.18 presents the results of the three regressions. The column designated β_i contains beta coefficients, which are the number of units of standard deviation of the default rate associated with a one standard deviation change in the variable in question. These beta coefficients are directly comparable among variables and represent the size of the contribution of each to explaining the variation in the default rate. These beta coefficients are unaffected by the units in

TABLE 10.17: COMPARATIVE PROFILES (MEAN STATISTICS) OF HIGH AND LOW NDSL DEFAULT RATE SCHOOLS, BY INSTITUTIONAL LEVEL AND CONTROL AND NDSL DEFAULT RATE CATEGORY: ACADEMIC YEAR 1978-79

	Institutional Level and Control and NDSL Default Rate Category[1]					
	4-Year Public		4-Year Private		2-Year Public	
	High (N=11)	Low (N=13)	High (N=13)	Low (N=14)	High (N=5)	Low (N=4)
Number of Students	7418	6592	1029	1297	5501	1767
Cost of Education ($)	676	8270	2591	2628	476	386
Selectivity	904	890	811	989	845	887
Funding Status (%)						
Self-Rotating	40.0	23.1	8.3	25.0	25.0	75.0
Not Self-Rotating	40.0	61.5	58.3	58.3	50.0	25.0
Mixed	20.0	15.4	33.3	16.7	25.0	0.0
Packaging Types (%)						
Pack 1	36.4	38.5	23.1	14.3	20.0	24.0
Pack 2	9.1	30.8	15.4	21.4	20.0	0.0
Pack 3	45.5	23.1	30.8	28.6	40.0	0.0
Pack 4	9.1	0.0	7.7	21.4	20.0	50.0
Pack 5	0.0	7.7	23.1	7.1	0.0	25.0
NDSL FTE Staff (Person Years)	1.42	1.80	0.94	0.75	0.66	0.48
Recipients/NDSL Staff	1610	387	851	362	159	102
Length of Operation (Years)	16.3	18.9	18.5	14.7	11.0	9.8
Prior Counseling (%)	72.7	66.7	41.7	50.0	25.0	50.0
Contemporary Counseling (%)	45.5	66.7	50.0	66.7	75.0	50.0
Written Contract Provided (%)	66.7	60.0	70.0	77.8	100.0	66.7
Repayment Types (%)[2]						
Plan 1	9.1	15.4	41.7	25.0	75.0	50.0
Plan 2	81.8	76.9	58.3	58.3	25.0	0.0
Plan 3	9.1	15.4	16.7	25.0	0.0	50.0
Registration Notice (%)	90.9	61.5	83.3	91.7	100.0	75.0
Individual Exit Interview (%)	54.5	61.5	72.7	63.6	50.0	100.0
Exit Interviews Missed (%)	18.5	22.4	17.3	7.2	6.3	35.0
Students Tracked (%)	78.3	83.8	58.6	93.3	68.8	85.7
Media of Contact (%)[2]						
Letter	90.0	76.9	83.3	58.3	75.0	50.0
Telephone	40.0	15.4	16.7	8.3	50.0	25.0
Telegram	20.0	7.7	0.0	0.0	0.0	0.0
Package	20.0	38.5	66.7	16.7	25.0	0.0
Delinquent Tracking (%)[2]						
School	63.6	69.2	75.0	66.7	25.0	66.7
Commercial	72.7	53.8	91.7	66.7	100.0	100.0

Source: Institutional Site Visit Survey and 1979 FISAP File supplied by USOE.

[1] The NDSL Default Rate Categories of "High" and "Low" represent those schools above the 75th percentile and below the 25th percentile of NDSL default rates, respectively. The numbers in parentheses represent the number of schools falling in each NDSL Default Rate Category and the number upon which the means of the table are calculated.

[2] Multiple responses allowed.

TABLE 10.18: RESULTS OF MULTIPLE REGRESSION OF NDSL DEFAULT RATE ON SELECTED CHARACTERISTICS: ACADEMIC YEAR 1978-79

Characteristic (i)	Run 1		Run 2		Run 3	
	β_i	F_i	β_i	F_i	β_i	F_i
Commercial Tracing	.142	0.77				
4-Year Private	-.386	0.52	-.195	0.73		
2-Year Public	.502	4.48	.515	15.36	.529	20.61
2-Year Private	-.004	0.00				
Undergraduate Enrollment	.378	1.99	.313	4.70	.297	4.59
Cost of Education	.643	1.15	.690	6.53	.535	10.19
Selectivity	-.383	1.73	-.605	14.75	-.592	16.10
Pack 2	.001	0.00				
Pack 3	-.175	0.61	-.069	0.36		
Pack 4	.126	0.28				
Pack 5	.294	2.29	.094	0.61		
NDSL Recipients/Staff	.168	0.94	.148	1.79	.121	1.31
Not Self-Rotating Fund	.385	2.16	.184	2.43	.197	3.07
Mixed Status Fund	.119	0.21				
Years in Program	.088	0.18				
Prior Counseling	-.325	2.84	-.092	0.56		
Contemporary Counseling	-.108	0.31				
Written Statement	-.021	0.01				
Plan 2	.085	0.22				
Plan 3	-.075	0.14				
No Exit Interview	-.075	0.13				
Percentage Tracked	-.182	1.02	-.230	3.87	-.225	3.92
OE Delinquency Definition	.099	0.32				
No Legal Action	-.341	3.72	-.218	4.32	-.183	3.40
Constant Term	0.396		0.781		0.748	
R^2, $\bar{R}^2$	0.70, 0.29		0.57, 0.45		0.55, 0.47	
Number of Cases	43		54		55	
Table F-Statistics at 5%	F(24,18)=2.15		F(12,41)=1.99		F(8,46)=2.14	
Table F-Statistics at 1%	F(24,18)=3.00		F(12,41)=2.65		F(8,46)=2.92	
Overall F-statistics	1.73		4.59		6.97	

Source: Institutional Site Visit Survey.

which the variables are measured (i.e., pounds vs. ounces), but are influenced by the size of the variation in the explanatory variable. For example, the raw coefficient for a variable could be statistically significantly different from zero, indicating that one can, with a great deal of confidence, believe that the variable influences the default rate; but, if the variable in question does not vary much (its standard deviation is small relative to its mean), then the beta coefficient will be correspondingly small.

The column designated F_i contains the F-statistic for the coefficient. In general, a calculated F-statistic that is greater than its "table value" indicates that the probability of the true value of the coefficient being zero is less than the probability to which the table value refers (generally .05 or .01). The table value for the F-statistic will change depending on the number of observations for the regression and the number of explanatory variables used. Table values for both the five percent level and the one percent level are shown beneath each column.

Other statistics at the bottom of each column of Table 10.18 include the raw value of the equation's constant term, the coefficient of multiple determination (R^2) and its adjusted value ($\bar{R}^2$), the number of cases upon which the regression was based (as the specification changes, the number of schools reporting information on all specified variables changes), the table values of F-statistic at alternative confidence levels, and the overall F-statistic for the entire regression. The R^2 is the proportion of the total variance in the default rate explained by the regression. The $\bar{R}^2$ adjusts R^2 to account for the number of variables used in the equation. This adjustment is made because the R^2 increases by definition whenever an explanatory variable is added and this can be misleading if R^2 is used to judge the goodness of fit. This adjustment is not necessary as the number of observations becomes large. The last item is the overall F-statistic which essentially is an overall test of the significance of $\bar{R}^2$, or the significance of the explanatory power of the total regression. The meanings of these statistics will become clear as they are used to analyze the results of each of the three regression runs.

A total of 24 vcariables were used in the specification for Run 1. These variables were selected on the basis of their performance during the various analyses, and provide the universe from which the final set should be chosen. A total of five of these variables had significant coefficients (at the five percent level -- only two at the one percent level): 2-year public schools, no packaging philosophy, not self-rotating fund status, counseling prior to award, and not taking legal action. In every instance, the beta coefficients were 0.3 or above, and the signs explainable, if not predictable.

For example, 2-year public schools have been shown to have high default rates in general, and a large positive beta coefficient is observed. The lack of a systematic packaging philosophy (Pack 5) contributes towards higher default rates, as does the failure to achieve self-rotating status (although the direction of the causal "arrow" in this case is in doubt). Prior counseling is associated with a reduction in the default rate, as expected. Those schools which never take legal action against delinquents have significantly lower default rates, which may be due to either the effective use of other techniques or the lack of a delinquency problem.

Overall, the results of Run 1 were interesting, but not startling. About 30 percent of the adjusted variance was explained by the regression, but the overall F-statistic shows that the R^2 (and $\bar{R}^2$) are not statistically different from zero. In an effort to improve the explanatory power of the regression, the number of variables was reduced to 12. That is, the five variables with significant beta coefficients were retained, along with seven variables whose beta coefficients were relatively large although not significant: 4-year private schools (which seemed to have lower default rates on average), undergraduate enrollment size, the cost of education, student selectivity, one of the other aid packaging philosophies, the NDSL recipient load per staff member, and the percentage of borrowers tracked through the grace period.

The results of this second run (Run 2) are also shown on Table 10.18. The $\bar{R}^2$ was substantially improved (about half of the total variances is explained by the regression), and the overall F-statistic indicates that the explanatory power of the overall regression is statistically significant (at both the five and one percent levels). In addition, seven of the twelve coefficients are significant at the five percent level, and six at the one percent level. Obviously, some coefficients became statistically significant which were insignificant in Run 1: percentage of borrowers tracked through the grace period, student selectivity, cost of education, and undergraduate enrollment. At the same time, however, prior counseling and the lack of an aid packaging philosophy lost their statistical significance. The other aid packaging philosophy (Pack 3) and the dummy variable for 4-year private schools retained insignificant coefficients.

Therefore, in specifying the third and final regression (Run 3), it was decided to drop all of the packaging philosphies, the dummy variable for 4-year privates, and prior counseling. At the same time, it was decided to retain one variable with an insignificant coefficient (NDSL recipients per staff member); because of its performance in the analysis of Chapter 5, and because of its "near significant" F-statistic. Thus, Run 3 contains a total of eight variables.

Table 10.18 shows that all but one of the eight coefficients in Run 3 are significant at the one percent level. The one exception is the NDSL recipient load per staff member, with its small and insignificant positive association with default rates. The goodness of fit improved marginally, but the statistical significance of the explanatory power of the regression improved substantially. No sign changes are observed, although a definite pattern of contribution to the default rate is evident. Specifically, the cost of education and association with 2-year public schools are both strongly and positively associated with default rates, with undergraduate enrollment and not achieving self-rotating fund status having a somewhat less strong, but still significant, positive impacts.

In Chapter 5, it was clearly shown that larger schools (i.e., schools with larger undergraduate enrollments) had more efficient operations in the sense that, because of economies of scale, more aid recipients could be handled by each financial aid office staff member. The results of the present investigation indicates quite ctrongly, however, that some of the observed economies of staffing may be false economies in that some of the increased load on the staff is beyond normal scale economies and is likely to contribute to higher NDSL default rates. This conclusion is exacerbated by the fact that, in those schools with larger undergraduate enrollments, the financial aid office often has the added responsibility of handling the financial aid for the graduate school as well as the financial aid for other parts of the school (e.g., law school) which is not reflected in the figures presented in this study.

The positive association of the cost of education with NDSL default rates is expected, all other things the same, because of the added financial burden placed on students (and parents) by high-cost institutions. Not only are students more likely to need financial aid, but they are more likely to include loans as part of the aid package (see Chapter 5, above) and the size of the loans are likely to be larger. All of these factors would theoreticallay increase the probability of a loan default.

Counterbalancing to this somewhat is the strong and significant negative impact of student selectivity on the default rate. That is, the average of the SAT/ACT scores of the admitted students is negatively related to the default rate of the institution. Also contributing negatively to the default rate is the percentage of borrowers tracked through the grace period (i.e., the more borrowers successfully tracked, the lower the default rate), and the lack of legal action on the part of the school.

Student Vs. School Contributions to the Default Rate

In concluding this analysis of the NDSL program and the schools' compliance with regulatory guidelines (and the consequent impact on NDSL default rates), it is appropriate that some attempt be made to identify those factors which are controllable by the institutions, and which appear to influence the NDSL default rate. Of course, all loan delinquency ultimately stems from the choice of the borrower not to repay the loan (some for good reasons and some not), but many of these choices can be forestalled or altered by actions taken by the school. Therefore, if such actions of the schools can be identified, appropriate policies can be developed to lower the NDSL default rate.

Among the eight factors identified in Run 3 of Table 10.18, there are some obviously school-based actions which can alter the default rate. One is the tracking of borrowers during the grace period. More effort in this direction will tend to reduce the ultimate level of NDSL delinquency. Another is the cost of education. Most schools have alternatives to tuition and fees as funding sources, and they should be aware of the impact on the NDSL default rate of selecting this funding source as the institutions' costs of production increase.

Most of the factors identified, however, are not as straightforward in their interpretation. For example, not taking legal action is clearly associated with lower NDSL default rates and is also clearly an activity undertaken by the school, but whether no legal action is a cause or a consequence of low default rates is unclear from the analysis as presently configured. Much the same type of conclusion is arrived at with respect to the achievement of self-rotating NDSL fund status on the part of the school. Achievement of this status is associated with lower default rates, but the causal direction is unknown.

The selectivity category of the school is in many respects under the long-run control of the institution through admission policies and the quality of education supplied by the school. However, the school's policy and its impact on the default rate are remote, so that the most appropriate interpretation here is that this variable is student-related rather than school-related. The more capable students are more likely to be in a position to repay the loan than less capable students. On the other hand, the size of the undergraduate enrollment is also the result of a long-run policy of the institution, but in this case the impact on the default rate should be classified as school-related. It was suggested above that this variable is a proxy for the adequacy of financial aid office staffing (capturing the intended impact of NDSL recipients per staff member), and that high default rates are the result of inadequate staffing (even recognizing that legitimate economies of scale are probably operative in schools with large student enrollments).

The last variable of 2-year public schools, however, is more difficult to designate as a representative of either a student-based or institution-based factor. From the gross statistics, it was clear that 2-year public schools had higher average default rates as a class, and membership in this category of schools has continued to be significantly associated with higher NDSL default rates throughout the multivariate analysis. Some of the impact may be school-based in that all of the vocational-technical schools are included in this category, and these schools traditionally have lower "articulation" rates (i.e., fewer students continue on to upper level education). On the other hand, there may be significant differences in the composition of the student bodies and/or NDSL recipients of these schools which would tend to make the impact on the NDSL default rate student-based.

In order to approach this question, an attempt was made to identify systematic differences in the characteristics of the undergraduate NDSL recipients between 2-year public schools and all other school types, using data from the student survey. The results of this effort are presented on Table 10.19. While a large number of recipient (or recipient-associated) characteristics were compared, only those which are significantly different, at least the five percent level, are presented.

Some of the characteristics compared can be directly associated with the NDSL recipients in the schools. For example, NDSL recipients in 2-year public schools are significantly older on average than recipients in the other school types — including the 4-year schools. This may be a reflection of the vocational-technical schools being included in the 2-year public school category. Further, the NDSL recipients in 2-year public schools have lower taxable incomes (representing earning power).

TABLE 10.19: COMPARISONS OF SELECTED NDSL RECIPIENT CHARACTERISTICS BETWEEN TWO-YEAR PUBLIC AND ALL OTHER SCHOOL TYPES: ACADEMIC YEAR 1978-79

Characteristics	2-Year Public	All Other Schools	F-Statistic
NDSL Award Size ($)	404	660	11.43
NDSL Award/Budget (%)	12.6	16.9	5.18
Unpackaged Need ($)	1,122	617	7.14
Unpackaged Need Budget (%)	16.3	3.5	4.94
Age Category (Index)[1]	2.2	1.8	17.54
Expected Family Contribution ($)	2,194	938	5.36
Living Expenses ($)	4,736	2,791	14.93
Living Expenses Budget (%)	88.6	63.8	32.90
Net Price/Budget (%)	63.7	55.1	5.47
Taxable Income ($)	8,017	10,815	5.13
Nontaxable Income ($)	1,355	904	5.33
Table F-Statistics:	F(1,143) at 5 percent= 3.91 F(1,143) at 1 percent= 6.82		

Source: Student Survey.

[1] 1 = younger than age 21
2 = between ages 21 and 25, inclusive
3 = older than age 25

These recipients also have higher nontaxable incomes, which largely compensate for the taxable income difference while in school. The problem is that much of the nontaxable income is not available following school when the loan is to be repaid.

The remaining significant factors are centered either on a combination of recipient and school characteristics or on the makeup of the financial aid package. In the first category, it is observed that the living expenses of 2-year public school NDSL recipients are higher than in other schools and, further, that such living expenses are a greater percentage of the student budgets in these schools. This is due either to the special location and nature of these schools or to the added family living expenses to be expected of older students.

In the second category, the 2-year public school NDSL awards are less on average (and a smaller percentage of the student budget on average) than those for other school types, which would ordinarily lead one to believe that the probability that the smaller NDSL will be repaid would increase. To the contrary, however, these small loans are reflective of a packaging philosophy which significantly increases the financial burden on the NDSL student recipient and decreases the probability that the NDSL will be repaid. For example, the amount that the family is expected to contribute to the support of the student in 2-year public schools is over twice as large as in other school types; that part of the student budget not covered by expected family contribution and packaged aid (both in absolute terms and as a percent of the student budget) is significantly higher for 2-year public schools; and the burden to the student in covering the budget (called the "net price" and composed of all loans, work, and unpackaged need) is higher as a proportion of the budget in 2-year public schools. Clearly, in view of these findings, the 2-year public school coefficient in Table 10.18 represents predominantly nonstudent-related activities.

At first glance, it appears as if the problem is that the NDSLs are too small in 2-year public schools. This statement assumes that a small

NDSL places a large immediate financial burden (i.e., net price) to the student while in school, which has an impact on the borrower's ability to repay. This hypothesis is only partially true, because increasing the NDSLs actually serves only to change the composition of the burden or net price to the student borrower (e.g., shifts the burden to NDSL and from GSL) and does not reduce it. It may increase the focus of the borrower on this component of the net price during the repayment period and thereby reduce delinquency, but this effect is likely to be marginal.

Rather, the real problem is the inflated size of the net price in the first place. This means that the amount of the nonreturnable aid is too small. It is too small because the BEOG budget formula penalizes students in schools associated with high living expenses and for tuition and fees (2-year public schools). They are penalized because the allowed living expenses are limited and tuition and fees are not limited in the BEOG need calculation formula. The 2-year public schools thus lose on both scores. The half-cost provision of the BEOG regulations then, of course, amplifies the problem. Finally, the difference logically could be made up by SEOG funding, but the calculation of the need upon which the SEOG allocations to the schools are based, favors high tuition schools (i.e., they look "needier" under the BEOG formula) and penalizes the high living cost schools.

It is sad to note that, under the present rules, it may be difficult to get the SEOG aid to the students of 2-year public schools even if the allocation formula were not biased, because of the SEOG matching aid requirement. These schools just do not have the institutional aid support that other school types have with which to provide matching funds.

In any event, while the 2-year public school coefficient in Table 10.18 is not student-related, it is also not school-related. Rather, it is largely program-related. Nevertheless, considering all of the regression results, on balance, the factors identified in this analysis are school-controllable. That is, the factors contributing to the high default rates for NDSLs are largely attributable to actions of the schools. Considerable care must be exercised with these findings, however, since, in spite of the high levels of statistical significance obtained, only about half of the variation in NDSL default rates have been explained. That is, the analysis has reached clear conclusions with respect to only about half of the problem. So, while some policy actions may be readily evident, they can be expected to solve only part of the problem; and the search for the causes of, and solutions to, the remaining part of the problem needs to continue.

11

STUDENT INFORMATION

INTRODUCTION

The financial aid community--professional associations, financial aid administrators, State aid commissions, student groups--have traditionally utilized their own expertise to develop innovative methods for disseminating information on student financial aid. The Office of Education, a relative newcomer to this area, has attempted to improve the quality of available student information services in order to maximize the impact of the Federal support programs. This concern for the availability of student information arises as one attempts to comprehend the complexity of the system of financial aid. Without some understanding of all of the various kinds of financial aid and the rules for their use, students cannot be expected to make an informed decision on whether or not to enroll in a postsecondary institution.

Students need information on financial assistance throughout their scholastic careers to make a series of crucial decisions regarding their pursuit of postsecondary education. Although this is an ongoing process, there are certain times when the availability of information is especially critical. As high school students attempt to decide whether or not to attend a postsecondary school and, subsequently, which school they will attend, their need for accurate, comprehensible information is great. For the most part, entering students must rely on their high school guidance counselors and the admissions offices of the postsecondary institutions they contact to provide information on the potential availability of student financial aid. For those students who defer their decisions to attend a postsecondary school, the institution itself may be their sole source of such information.

Continuing students usually interact more directly with local financial aid offices to obtain information regarding the determination of their eligibility and the extent of their awards as well as to meet their counseling needs. Recipients of assistance must also rely on the aid office to apprise them of changes in student financial aid programs and to maintain their financial aid records in good order. Many recipients will also require information on their financial aid situation upon completion or termination of their education. In particular, students who have secured loans in order to finance their education must be informed of their rights and obligations with regard to repayment.

At first glance, the process of information dissemination for student financial aid appears to be strictly decentralized. Out of necessity, the bulk of the responsibility for the provision of information must be placed at the local level where contact with the "consumers" can most readily occur. This does not reduce, however, the need for high school counselors, institutional aid officers, and ultimate sponsors of student aid programs (e.g., states, Federal government), to supply accurate, descriptive information.

THE ISSUES OF CONSUMERISM

The Federal government's recognition of the importance of student consumerism was an outgrowth of a variety of influencing factors. Traditionally, a great deal of financial aid information was disseminated by persons whose prime responsibilities were other than financial aid (e.g., admissions personnel, high school counselors), and frequently these persons did not fully understand the system they were attempting to explain. Furthermore, the rapid development, periodic changes, and intricacies of the programs made them increasingly difficult for these unspecialized individuals to master. Another contributing factor to the rise of student consumerism was the pressure exerted by student lobbyists who believed that many schools had been negligent in providing students with a "full disclosure" of financial aid policies and procedures.

In response to these needs, the Student Consumer Information Requirements, which established rules and procedures for postsecondary schools concerning the provision of information to students on financial aid, was published in 1977 by the Office of Education, based on the Education Amendments of 1976. These regulations stipulate that an institution must furnish all of the following information upon request:

- the student financial assistance programs available to enrolled students, including information on the Title IV (BEOG and Campus Based) programs in which the school participates, as well as state and institutional programs;
- the forms and procedures by which students apply for aid, the student eligibility requirements, and the criteria used by the institution to select financial aid recipients and determine award amounts;
- the requirements for continued eligibility under the programs;
- the rights and responsibilities of students receiving Federal grants and loans;
- the means and frequency by which the funds are disbursed;
- the institution's definition of "maintaining satisfactory progress" in order to continue to receive financial aid funds, and how students who have dropped below this standard may reestablish eligibility;
- the terms of loans and sample repayment schedules;
- the terms which apply to any employment extended to the student;
- the cost of attending the institution (i.e., tuition and fees, books and supplies, room and board, and any additional program costs);
- the institution's refund policy;
- the academic programs offered by the institution;
- data on student retention at the institution;
- the number and percentage of students completing a particular program, if available; and
- the titles of the individuals to be contacted for more information and the ways in which each can be reached.

Finally, the requirements mandate that each institution must have an employee, or a group of employees, available on a full-time basis to help all students obtain information. This requirement, however, may be waived for an institution too small to need a full-time employee.[1]

These requirements have led many institutions to produce financial aid "handbooks," a number of which were collected during the course of the site visits. Upon examination, it appears that while some of these materials do an outstanding job of explaining student financial aid at their schools, the diversity of presentation and treatment is quite broad. This issue will be discussed in greater detail later in this chapter.

Other Information Initiatives by USOE

The Federal government also publishes its own information materials which outline the whys and wherefores of the Federal student aid programs. Many institutions employ these publications in combination with others provided by state agencies or private sources as the basis for their information dissemination efforts. As noted above, institutions also may choose unique, independent approaches to student information by developing and publishing their own materials.

The Division of Training and Dissemination of the Bureau of Student Financial Aid at USOE, by far the most prominent source of Federal information, has launched a campaign to advertise the availability of Federally funded student assistance programs. Directed primarily at the high school population, this effort includes the distribution of posters containing a pocket with Basic Grant applications, and distributing student financial aid fact sheets and a brochure entitled "Federal Student Aid: Where Do You Fit In?" to 25,000 high schools, public libraries, community organizations, and Social Security Administration offices throughout the nation. A toll-free Wide Area Telephone Service (WATS) number is also maintained by an independent contractor in order to provide general program information and respond to specific inquiries concerning the completion of Basic Grant applications. Finally, a publication listing institutions which participate in the Campus Based programs has been distributed to high schools and to lending institutions across the country.

---

[1] Bureau of Student Financial Aid Bulletin. USOE: February 1978, p. 5.

The Division also promotes better understanding of financial aid programs among secondary school personnel through training projects. One component of this effort has been the development of a Basic Grant slide/cassette presentation, distributed to 25,000 high schools. This has drawn a very favorable response, and there are plans to make the same material available as a filmstrip. Secondly, two sets of workshops, sponsored by a consortium of professional associations (the National Association of Student Financial Aid Administrators (NASFAA), the American Personnel and Guidance Association (APGA), and the National Association of College and University Business Officers (NACUBO)) have been provided for high school counselors and postsecondary administrators of financial aid. The purpose of these workshops is to foster expertise among these individuals and to help them provide accurate information to prospective aid recipients.

Finally, the Bureau has produced and disseminated public service television announcements advertising the Basic Grant program. For the 1980-81 academic year, a new set of television advertisements has been produced using animation, familiar personalities, and a generally "soft-sell" approach. Through these announcements, USOE hopes to catch the eyes of prospective aid recipients and to make them aware of the availability of "Study Money."

The Role of the Institutions

The ultimate responsibility for the dissemination of information on student financial assistance lies primarily with the institutions. They are the focal point of the financial aid system, due to their role as the direct disburser of aid dollars. Furthermore, institutions have a vested interest in ensuring that their students receive all of the financial assistance for which they are eligible, since a significant portion of the revenues which schools receive for tuition, fees, and on-campus housing and board are derived from the financial aid dollars awarded to their students. To assure that students finance their educational costs as effectively as possible, financial aid offices must provide students with needed counseling and information.

RESULTS: USES AND SOURCES OF INFORMATION

The Use of Media

The Student Consumer Information Requirements, detailed above, have spurred the design and distribution of an array of publications sponsored by individual institutions. A wide range of dissemination activities have been tried by institutions in their attempt to comply with the regulations. However, as noted earlier, these local interpretations have manifested themselves in inconsistent degrees of quality and comprehensiveness. The actual materials utilized by institutions to inform students about financial aid range from rather small sections buried in school catalogues, to separate brochures and pamphlets which address all of the relevant issues of student financial assistance in a straightforward, comprehensive, attractive manner. An example of the latter is a large public university's financial aid packet which goes considerably above and beyond the minimum Federal requirements by including an aid application, an explanation of the school's aid packaging philosophy, a summary of the need analysis process for aid applicants, and examples of estimated family contributions.

Despite attempts by various offices within USOE to disseminate information on student financial aid programs, data collected from the institutions in this study reveal that nearly one-third of the schools--31 percent--make little or no explicit use of the materials provided by USOE or other agencies. On the other hand, 20 percent do use literature provided by USOE, and 14 percent use other materials from Federal and state governments as supplements that are incorporated into their own materials.

In order to disseminate information to students at a particular institution, an aid officer can use a variety of different approaches. Ideally, aid officers would be expected to provide information in the way which would best suit the student population at their individual institutions. In practice, though, fiscal, time, motivational, resource, and/or talent considerations govern their ability to develop and implement effective information services. Over 90 percent of the institutions utilize brochures and/or pamphlets in order to inform students about financial aid. Financial aid fact sheets are furnished by most of the schools (76%), and many (60%) also publish information in student newspapers. To reach prospective students, most schools (84%) send representatives, usually admissions officers, to meet with high school seniors, at which time the issue of financial aid is addressed. Furthermore, about half of the schools mail letters containing information about available aid programs directly to high school seniors. More than one-third of the schools note that they use television or radio spots to inform students about their institutions and the available student aid programs. Other vehicles for publicizing financial aid include: "outreach" speeches, seminars, and workshops (used by 23%); school catalogues (15%); bulletin board announcements and posters (8%); placing advertisements in local newspapers, and personal interviews (5% each). A few schools also mentioned that they mail letters to the parents of prospective and enrolled students. Others counsel students concerning financial aid at the time students register for their classes. Finally, three percent of the schools (five institutions) reported that they take no measures to inform students about financial aid.

Application Forms

Perhaps the most basic information service an institution can provide is to furnish applications for the financial aid programs for which a student may be eligible. How individual institutions choose to distribute the forms is a matter of institutional discretion. Of the schools participating in the site visit survey, the majority (83%) make

Basic Grant application forms available in the financial aid office and make an effort to inform students about this. About one-third of the schools also report that the forms are available at other campus locations, such as the student union or library. As part of an overall recruiting strategy, one-third also indicate that all incoming students receive the necessary application forms. Finally, a few schools note that while Basic Grant application forms are available at the financial aid office, no efforts are made to disseminate them or to advertise their availability.

For those students who wish to apply for a Basic Grant, a substantial number of schools (62%) supply them with the College Scholarship Service's Financial Aid Form; almost as many use the BEOG application form (59%). The American College Testing (ACT) Service's Family Financial Statement is distributed for this purpose by far fewer institutions (24%), while still others use state application forms or follow the recommendations of their own private need analysis services. In practice, the advent of the Multiple Data Entry (described in Chapter 7) system appears to have limited the number of forms in use at most institutions.

The Role of the Student

Ultimately, it is the student who is the intended beneficiary of the information dissemination efforts undertaken by schools and government agencies. The initial step for a potential aid recipient is his/her interface with the aid application process. As part of the data collection activities, students were asked where they obtained their financial aid application forms. As Table 11.1 illustrates, there is almost a universal response to this item, except in the proprietary schools. In descending order of importance, the top three sources of aid applications named by students are:

- the school attended (particularly the aid office) which typically accounted for about 85 percent of the responses;
- their high school counselor (approximately 10-20%);
- and the two leading scholarship services, ACT and CSS (about 10%).

TABLE 11.1: RANK ORDER OF WHERE STUDENTS OBTAINED THEIR FINANCIAL AID APPLICATION FORMS, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79

Top Four Locations Where Financial Aid Application Forms are Obtained	Institutional Level and Control				
	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Financial Aid Office/ Other Location on Campus	1	1	1	1	1
High School	2	2	2	2	2
ACT/CSS	3	3	3	3	6
Lending Institution	4	4	6	5	3

Source: Student Survey.

With regard to family income, the most significant finding is the increasing importance of the bank as a leading location for obtaining application forms as income increases (see Table 11.2). Again, this can be attributed to a heavy reliance upon Guaranteed Student Loans among students in the upper income brackets.

TABLE 11.2: RANK ORDER OF LENDING INSTITUTIONS AS LEADING SOURCES OF FINANCIAL AID APPLICATION FORMS, BY INCOME LEVEL AND LEVEL AND CONTROL OF INSTITUTIONS: ACADEMIC YEAR 1978-79

Family Income of Dependent Students	Institutional Level and Control				
	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
$0-$6,000	8	6	7	5	6
$12,000-$18,000	6	5	5	9	3
$25,000-$30,000	4	3	4	9	3

Source: Student Survey.

Proprietary school students reported similar access to applications with regard to the two top locations; for these students, however, lending institutions are the third leading location. Presumably, this is a result of their greater dependence upon the Guaranteed Student Loan program, combined with their limited access to Campus Based funding.

Data were also collected from students with regard to the specific aid applications they submitted (Table 11.3) and whether they received any assistance in completing the forms. As reflected in the following tables, excluding the 4-year private institutions, there is an overwhelming proclivity for students to complete Basic Grant application forms regardless of whether or not they sought any assistance. The proprietary schools, in particular, exhibit a heavy reliance on the BEOG application form. In part, this is due to the fact that these institutions frequently do not participate in any of the Campus Based programs. By and large, students attending 4-year private institutions tended to use the College Scholarship Service's Financial Aid Form, the American College Testing Program's Family Financial Statement, or the Pennsylvania Higher Education Assistance Authority application. Although the forms obtained from banks were used infrequently in applying for aid, they were utilized primarily for 4-year private and proprietary institutions. This is likely due to the higher cost of attendance at these schools.

With respect to obtaining assistance in completing their financial aid applications (Table 11.4), 13.1 percent of the students reported that someone else completed the forms for their signatures, 45.2 percent indicated that another party assisted them in generating the necessary information, and 41.7 percent noted that they received no help. In the former instances, this service was generally provided by a family member (75.7%) or the financial aid office at the school they attend (21.6%). Of those students reporting "other", their high school counselor accounted for the majority of responses (73.6%). That so many students sought some form of assistance in completing their applications for aid underscores the complexity of the process and the necessity for additional counseling on this matter.

TABLE 11.3: APPLICATION FORMS SUBMITTED BY STUDENTS REGARDLESS OF WHETHER THEY OBTAINED ANY ASSISTANCE, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79

	Institutional Level and Control				
Form Type	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Institutional	14.2	21.7	8.6	11.0	9.1
BEOG	56.9	34.2	55.6	54.9	76.5
CSS/ACT/PHEAA[1]	27.2	40.6	34.7	31.6	10.8
State	0.04	0.03	0.13	-	-
Private	0.18	0.23	0.18	0.36	0.18
Other (Federal)	0.06	0.09	0.22	0.75	0.11
Lending Institution	1.2	2.9	.39	1.1	3.1

Source: Student Survey.

[1] Pennsylvania Higher Education Assistance Authority.

TABLE 11.4: LEVEL OF ASSISTANCE RECEIVED BY STUDENTS IN COMPLETING THEIR AID APPLICATIONS, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79

	ALL SCHOOLS	Institutional Level and Control				
		4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Someone else completed	13.1	46.1	46.4	31.0	28.5	37.9
Someone else assisted	45.2	10.3	13.0	17.1	13.8	16.4
No assistance received	41.7	43.6	40.6	51.9	57.5	45.7

Source: Student Survey.

Completion of at least one financial aid application is a prerequisite for the receipt of financial assistance. As was noted earlier, institutions use a variety of methods to distribute aid

TABLE 11.5: PROPORTION OF STUDENTS NOT APPLYING FOR FINANCIAL AID, BY DEPENDENCY STATUS, INCOME AND LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-1979

Student Dependency and Income	Institutional Level and Control				
	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Dependents					
$ 0-$ 5,999	3.4	0.7	5.4	2.7	2.8
$ 6,000-$11,999	6.0	3.2	6.3	11.9	8.8
$12,000-$17,999	11.8	6.7	22.6	21.6	20.2
$18,000-$24,999	25.2	15.2	19.3	25.9	26.2
$25,000 or more	53.8	74.3	46.4	37.8	42.0
Independents					
$ 0 - $ 2,999	12.3	12.4	19.5	24.4	26.2
$ 3,000-$ 5,999	16.2	7.2	9.3	6.1	9.2
$ 6,000-$ 8,999	14.0	7.5	16.1	22.5	10.6
$ 9,000-$14,999	18.7	15.8	16.6	22.7	34.9
$15,000 or more	39.0	57.1	40.5	23.6	19.2

Source: Student Survey.

applications in the hopes that all eligible students will be reached by the aid process. Unfortunately, there are a significant number of students who never apply for financial aid. Obviously, one would expect that students from wealthy economic backgrounds would be more prone not to apply due to presumed ineligibility. However, as Table 11.5 above indicates, a sizeable number of students, spanning all income categories, did not apply for financial aid for the 1978-79 academic year.

The corollary to the above is Table 11.6, which illustrates why students do not apply for financial aid, particularly those at the lower income levels where they would seem to be entitled to at least some need-based aid. (Caution must, of course, be taken when using income as *prima facie* evidence of eligibility; other factors, such as assets, can

TABLE 11.6: REASONS WHY STUDENTS DO NOT APPLY FOR FINANCIAL AID, BY DEPENDENCY, INCOME, AND LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79[1]

Institution and Student Characteristics	Reason For Not Applying						
	I Did Not Think I Was Eligible	I Did Not Know About Financial Aid	Parents Would Not Complete Financial Statement	Did Not Need It--Receiving Other Support (e.g., Welfare)	The Forms Or Procedures Were Too Difficult	I Was Previously Rejected	Overall Proportion in a Group
4-Year Public							
Dependents							
$ 0 - $ 5,999	71.7	0	0	7.2	11.6	0	3.4
$ 6,000 - $11,999	68.1	16.3	14.3	8.8	21.9	2.3	6.0
$12,000 - $17,999	78.3	4.4	9.0	10.2	16.0	5.0	11.8
$18,000 or more	84.5	8.6	8.3	10.7	6.7	2.0	79.0
Independents							
$ 0 - $ 5,999	73.2	16.7	4.3	15.6	14.3	2.1	28.5
$ 6,000 - $11,999	86.4	13.9	0	10.1	4.8	1.4	23.4
$12,000 or more	75.6	10.3	0.5	18.5	6.5	1.0	48.1
4-Year Private							
Dependents							
$ 0 - $ 5,999	35.2	3.5	19.8	0	20.2	21.3	5.4
$ 6,000 - $11,999	35.5	2.6	7.9	39.4	11.9	1.9	6.3
$12,000 - $17,999	85.1	12.7	5.2	8.9	8.7	2.0	22.6
$18,000 or more	88.1	3.0	13.0	8.8	3.6	2.4	65.7
Independents							
$ 0 - $ 5,999	34.2	13.3	12.1	11.3	18.6	0	28.8
$ 6,000 - $11,999	75.5	4.7	0	18.4	0	1.5	24.5
$12,000 or more	87.2	6.8	0.4	8.4	7.1	0.4	46.7
2-Year Public							
Dependents							
$ 0 - $ 5,999	30.5	63.8	2.6	1.0	11.3	6.2	0.7
$ 6,000 - $11,999	33.9	4.0	2.9	36.0	18.6	4.0	3.2
$12,000 - $17,999	92.3	10.0	1.0	5.2	3.9	0	6.7
$18,000 or more	71.6	10.9	3.5	16.8	4.4	0.8	89.5

---

[1] Respondents were allowed to provide multiple answers; therefore rows will add up to more than 100 percent. In addition, only the major responses have been presented.

TABLE 11.6: REASONS WHY STUDENTS DO NOT APPLY FOR FINANCIAL AID, BY DEPENDENCY, INCOME, AND LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79 (continued)

Institution and Student Characteristics	Reason For Not Applying						
	I Did Not Think I Was Eligible	I Did Not Know About Financial Aid	Parents Would Not Complete Financial Statement	Did Not Need It--Receiving Other Support (e.g., Welfare)	The Forms Or Procedures Were Too Difficult	I Was Previously Rejected	Overall Proportion in a Group
2-Year Public							
Independents							
$ 0 - $ 5,999	62.4	15.7	0.8	18.5	6.7	1.1	19.6
$ 6,000 - $11,999	61.1	22.6	8.1	9.4	2.0	2.4	15.3
$12,000 or more	64.8	9.6	0.2	21.9	6.8	0.3	65.1
2-Year Private							
Dependents							
$ 0 - $ 5,999	100.0	0	0	0	0	0	2.7
$ 6,000 - $11,999	51.2	0	22.8	0	26.0	0	11.9
$12,000 - $17,999	97.4	0	1.8	12.6	11.7	0	21.6
$18,000 or more	73.7	5.5	6.5	15.1	15.3	0.7	63.8
Independents							
$ 0 - $ 5,999	43.4	8.4	0	68.1	0	0	30.5
$ 6,000 - $11,999	26.7	0	4.0	0	0	0	33.8
$12,000,000 or more	89.0	0	0	11.0	89.0	0	35.7
Proprietary							
Dependents							
$ 0 - $ 5,999	76.7	0	0	19.0	3.8	0	2.8
$ 6,000 - $11,999	48.3	3.8	13.5	29.2	13.5	0	8.8
$12,000 - $17,999	35.9	58.0	3.6	2.8	6.5	3.3	20.2
$18,000 or more	84.5	7.8	3.0	9.1	4.4	0.5	68.2
Independents							
$ 0 - $ 5,999	80.2	10.2	0	10.7	2.1	2.6	35.4
$ 6,000 - $11,999	86.0	5.1	0	6.8	1.0	0	28.6
$12,000 or more	81.4	0	0	17.6	3.1	0	36.0
TOTAL	87.8	10.0	5.7	13.5	6.3	1.5	

Source: Student Survey.

make certain low-income families ineligible for need-based aid.) This question was posed to each student in the survey, and surprisingly, of the over 4,600 students who said they did not apply for financial aid, 87.8 percent felt they were ineligible for assistance. Moreover, as shown in Table 11.6, the importance of this reason remains largely consistent across institution types and income levels. While clear relationships are difficult to discern due to gross differences in the sizes of the various cells (see the right-most column), the following observations can be made.

1. The predominant reason for not applying for financial aid, regardless of income or institutional setting, is a perceived ineligibility for need-based aid. While factors other than income may make some students ineligible, it is striking that even at the lowest income levels, most students who fail to apply for aid believe themselves to be ineligible.
2. The second most common reason for not applying was the receipt of other funds, such as Veterans' and Social Security benefits or welfare, which covered all of the student's needs. This reason was given most often by students in the lowest income categories where access to such assistance is greater.
3. Not knowing about financial aid was the next most frequent response and one which was most likely to be given by the independent students.
4. Finally, difficulty with either the application forms or the process in general prevented another group of students (7.8%) from ever applying for financial assistance.

The Notification of Financial Aid Awards

Due to the financial considerations which students must resolve before reaching decisions concerning access to and persistence in postsecondary schools, the timing of student aid award notices can be crucial. Late award notification, it is argued, can diminish the options available to the student and, for certain students, provide a barrier to the pursuit of further education. It is logical to assume that award notification must be coordinated with the start of the academic year. The bare minimum, which can be expected by the student, is that institutions do not wait until the term has begun to furnish them with this vital information.

TABLE 11.7: RANK ORDER[1] OF THE LAST MONTH THE STUDENT COULD HAVE BEEN INFORMED ABOUT HIS/HER FINANCIAL AID AWARD, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-1979

	Institutional Level and Control				
Months	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
January	4	6	3	3	2
February	7	10	5	12	10
March	8	8	4	4	5
April	9	7	12	11	12
May	6	4	10	6	11
June	5	5	6	4	6
July	3	3	9	7	7
August	1	1	1	1	8
September	2	2	2	2	1
October	11	11	10	9	4
November	12	12	6	10	9
December	9	9	8	8	3

Source: Student Survey.

[1] The most common responses are ranked 1, the least common, 12.

As shown in Table 11.7, students consistently reported that August and September were the last months that they could be informed of their aid awards and still be able to attend postsecondary institutions, except for proprietary school students, who reported September and January as the last two months. The latter difference may be due to the more flexible nature of the academic calendars at these schools (i.e., they may not fit the traditional September to June mold). Moreover, these relationships were found to remain stable when examined within institutional categories by the student's total family income (these tables are not shown). Additional breakdowns of these responses according to year in school, for example, may provide an expanded view of award notification timing when these tasks are undertaken.

Counseling Services

For students already attending postsecondary institutions, and for students whose decisions on enrollment and continuance are based on financial considerations, aid counseling can be a critical service. Although some institutions have shown that a great deal of information regarding student financial aid can be disseminated on a mass basis, these same institutions are often those which also exhibit concern for the quality of financial aid counseling services--the only means for dealing with the particulars and special circumstances of an individual student's case. Moreover, schools which participate in Federal student loan programs, either NDSL or Federally or state insured loans, must conduct special loan counseling sessions with recipients in addition to the general financial aid counseling which one would expect them to provide.

Beginning with the 1980-81 academic year, the U.S. Office of Education is introducing a simplified financial aid application system which has been adopted for use by BEOG, CSS, and ACT. In the view of many students and financial aid officers alike, the financial aid application used for the 1978-79 academic year (when the data collection efforts for this study were undertaken) was not a simple form. In order to compensate for the complexities of the application process, some schools have taken steps to assist students and their families in completing the forms. Eleven percent of the schools indicated they encourage the use of "third parties" to help applicants deal with the aid process, and another nine percent actually make arrangements for this type of assistance. High school counselors and other interested parties, such as field workers from the Upward Bound and Talent Search programs, have been utilized for this purpose as well. In another 20 percent of the cases, financial aid officers, personally, provide students with assistance in completing aid application forms. Additionally, some aid offices attempt to reach out to the families of student aid applicants. Mailings to student homes, staging "parent nights," and visits to local high schools were cited as components of an overall strategy designed to encourage accurate and timely completion of the forms.

Depending on the availability of resources, the composition of the student body, and administrative philosophies, the financial aid offices may attempt to provide other aid counseling services which are directed at specific kinds of students. Such services are provided only by a minority of schools; two-thirds of the institutions surveyed reported that they made no effort at all to provide special counseling services to specific student population. Of the third that do provide some form of special counseling: ethnic minorities are the populations of interest in 11 percent of the cases, counseling for handicapped students is provided by 10 percent, and providing information to Native Americans accounts for nine percent. In general, the school's financial aid officer or other aid office staff are responsible for providing this guidance (51% and 24%, respectively). Student employment centers are also involved in the provision of some counseling aspects.

Counseling, by nature, is a very personalized, and therefore potentially very effective, instrument of communicating student information. Motivational and alienating barriers can be overcome through the use of counseling. The printed word is no substitute for personal contact. The potential to "educate" the student a year or more before he/she goes to college, makes the high school counseling aspect of student information a very viable vehicle for improving student access to postsecondary education.

Of the students sampled for this study (see Table 11.8), approximately 43 percent were recipients of some form of financial aid during the academic year 1978-79. Of these, 34 percent also received financial aid counseling while in high school. Of the remaining nonrecipients (approximately 57%), 16.2 percent received financial aid counseling in high school. Ostensibly, we could conclude that counseling relative to financial aid while in high school will virtually double one's chances of receiving financial aid. However, we must first look at what differentiates students who do, and do not, seek counseling about financial aid while in high school.

TABLE 11.8: THE RELATIONSHIP BETWEEN THE RECEIPT OF HIGH SCHOOL COUNSELING AND THE RECEIPT OF FINANCIAL AID, IN PERCENTAGES: ACADEMIC YEAR 1978-79

	ALL STUDENTS	Current Aid Recipient	Current Non-Recipient
Student received high school counseling	76.3	83.8	66.1
Student did not receive high school counseling	23.7	16.2	33.9

Source: Student Survey.

Referring to Table 11.9, it can be seen that while students in the lower-income categories are somewhat more prone to obtain financial aid counseling in high schools, access to such assistance is well distributed across the spectrum of family income levels. Overall, approximately 31 percent of our sample of students seek counseling. Rank-ordered by ethnicity from most to least prone, the groups are: White, non-Hispanic; Black, non-Hispanic' Hispanic; American Indian; and Asian. These ethnic groups appear to be significantly less prone to seek counseling than other students. This suggests the need for possible further development of special student counseling services at the high school level.

Table 11.9 indicates that high school counseling appears to improve one's chances of receiving aid. It also indicates that those most likely to seek aid counseling are the needier and, theoretically, the most likely to receive aid should they apply. It can also be seen that students who are Asian, or whose families have incomes of $30,000 or above, are less likely to seek counseling.

TABLE 11.9: PERCENT OF STUDENTS REPORTING HAVING RECEIVED HIGH SCHOOL FINANCIAL AID COUNSELING, BY TOTAL FAMILY INCOME AND ETHNICITY: ACADEMIC YEAR 1978-79

Student Characteristic	Percent of Students Who Received Financial Aid Counseling While in High School
Income (Dependents only)	
Less than $1,500	29.7
$ 1,500 - $ 2,999	49.1
$ 3,000 - $ 5,999	16.6
$ 6,000 - $ 8,999	35.9
$ 9,000 - $11,999	39.4
$12,000 - $14,999	36.8
$15,000 - $17,999	34.1
$18,000 - $20,999	30.0
$21,000 - $24,999	19.6
$25,000 - $29,999	34.3
$30,000 - $34,999	25.0
$35,000 and over	15.0
Ethnicity	
American Indian/Alaskan Native	24.2
Asian or Pacific Islander	13.4
Black, not Hispanic	28.2
Hispanic	26.4
White, not Hispanic	33.5

Source: Student Survey.

TRIO Program Participation and Access to Financial Aid

The TRIO programs were authorized under Section 417 of the Higher Education Act of 1965 in Subpart 4, Special Programs for Students from Disadvantaged Backgrounds (as amended by the 1976 Education Amendments). The legislation authorized services specifically designed to identify and to assist youths from low-income families who have academic potential, but who may lack adequate secondary school preparation; who may be physically handicapped; or who may be disadvantaged because of severe rural isolation, to enter, continue, or resume programs of secondary and postsecondary education. These programs, which have come to be known as the TRIO[2] Programs, include:

Talent Seach--off-campus community-based recruiting programs designed to:

- identify youths of financial or cultural need to complete secondary or undertake postsecondary education;
- publicize and provide students with information on existing student financial aid;
- encourage secondary or college dropouts of demonstrated aptitude to continue or resume postsecondary education;
- two-thirds of the participants must meet low-income criteria.

Upward Bound--on-campus, postsecondary preparatory recruitment program designed for high school youths of grades 10-12:

- to generate skills and motivation necessary for success in education beyond high school;
- to provide youths from low-income backgrounds and with inadequate secondary school preparation with a variety of academic and cultural activities on a full-time basis during the summers and academic years;
- to provide tutorial assistance in areas of English, Mathematics, and other areas of inadequate preparations.

Special Services--on-campus compensatory and counseling services for postsecondary education students designed to:

---

[2] The "TRIO" label was assigned to those programs due to their original tripart structure (Talent Search, Upward Bound, and Special Services). While the programs have expanded, the nickname has endured.

- assist students from deprived educational, cultural, or economic backgrounds, the physically handicapped and those with limited English-speaking ability who are in need of such services;
- provide tutorial assistance in compensatory skills courses, reading, writing, mathematics, communications;
- provide counseling and supportive services for students in need of information, academic and personal support-assistance;
- provide educational bilingual teaching, guidance and counseling.

Educational Opportunity Centers--on an off-campus educational resource, information recruitment centers serving areas with major concentration of low-income families, designed to:

- assist residents who demonstrate need to pursue postsecondary education;
- provide information, counseling and assistance on admission and financial aid;
- provide counseling and tutoring for enrolled students from the area who need such assistance;
- provide counseling and recruitment information to staff members of neighboring high schools, colleges, and universities.

Service Learning Centers--on-campus compensatory and counseling services:

- one-third of SLC participants do not have to fit the low-income criteria;
- designed to provide compensatory educational and other special services for students who are enrolled or accepted for enrollment in that institution.

Training Authority--on-and off-campus staff and leadership personnel training. Institutions, public, and nonprofit private organizations may contact the Commissioner of Education to:

- develop and provide in-service training programs for TRIO staff and personnel;
- improve their skills and the delivery and effectiveness of services.[3]

---

[3] D. Ellum, "Description of the TRIO Programs" in Working Papers Prepared for the Third Student-Commissioner Conference. United States Student Association, Washington, D.C., February 1980.

A careful look at the characteristics of the three programs, the students they are respectively designed to serve, and the time frame defining eligibility indicates that Upward Bound is the program most conducive to high financial aid program participation rates. The specific program goal is completion of secondary education and access to college. Upward Bound is oriented towards overcoming access barriers to college, and the low income requirement defining TRIO participants render cost to be a significant obstacle. Upward Bound is designed to assist in overcoming that obstacle. The time frame of the program is sharply focused on the year in high school when a potential college student will be directing his/her attention to access to college and the financial resources necessary to do so.

A recent study conducted for the USOE, Office of Evaluation and Dissemination, emphasized the positive effects which the Upward Bound program appeared to have on the rates of enrollment and persistence among its participants. This study concluded that "Differences in the (postsecondary) entry rates of typical (Upward Bound) participants and non-participants were more pronounced"[4]

It is not surprising that, among all aid programs, participation rates for those enrolled in the Upward Bound program are significantly higher than for other students (see Table 11.10). In fact, for both SEOG and BEOG recipients, the rate is double while the ratio is slightly lower among the self-help programs, as would be expected. Acceptence rates, i.e., the percent of those who applied, that receive aid, are also, expectedly high.

---

[4] Research Triangle Institute. Evaluation Study of the Upward Bound Program: A Second Follow-Up, Final Report. Research Triangle Institute, Research Triangle Park, North Carolina; November 1979, p. 172.

TABLE 11.10: PERCENT OF TRIO STUDENTS RECEIVING BASIC GRANT AND CAMPUS BASED AID: ACADEMIC YEAR 1978-79

	Type of Federal Financial Aid Received			
TRIO Program	BEOG	SEOG	CWS	NDSL
Upward Bound	57	20	21	18
Talent Search	42	13	18	18
Special Services	53	18	24	15

Source: Student Survey.

SUMMARY

The impact of information on the receipt of financial aid is well documented. USOE and postsecondary educational institutions have recently made attempts to improve the quality of information services prompted by the Consumer Information Requirement authorized by Congress. As information presented in this chapter has illustrated, an information gap still exists. There continue to be students who simply do not believe they would receive aid despite the fact that their low income situation seems to indicate their potential eligibility. Additionally, there remain some students who do not know of the existence of financial aid programs. While considerable progress has been made in the area of information dissemination, the lack of consistency which can be found among institutional information efforts is indicative that there is a need for improvement in this area. For the student, and especially the prospective student, comprehensive, accessible information sources are a necessity in order to determine the potential sources for financing his/her postsecondary career.

12

RECIPIENT MONITORING

INTRODUCTION

Monitoring the factors which may affect the enrollment status of student financial aid recipients is an integral part of an overall policy of fiscal management. The application of rules and regulations which are the responsibility of college governing authorities, independent of the financial aid office, can potentially alter the eligibility status of students receiving assistance. For example, a student who fails to meet certain academic requirements may be suspended from classes, or a student who drops a course in mid-term may forfeit his/her full-time status. These circumstances would obviously prompt a modification in the student's aid eligibility status. In order to discern the existence of such circumstances, the financial aid office must maintain certain channels of communication with other institutional offices.

The way in which institutions conduct monitoring activities is largely a function of the individual institution. As will be seen in the following discussion, there is some degree of continuity in the way institutions describe their monitoring practices. It is only natural to expect, though, that large institutions may employ computer-based practices[1] while small schools rely on manual and/or informal practices.

---

[1] Institutions which possess centralized data processing systems can perform regular crosschecks of registration, academic, and financial aid rosters in order to identify special cases.

Aid Disbursement Controls

If the eligibility status of a student changes during the award period, the institution is liable to recover any Federal financial aid which it may have paid in advance to the student. If they choose, institutions can disburse aid funds to students in a manner which will reduce the risk of such overawards. Table 12.1 examines the methods which institutions use to disburse BEOG, SEOG, and NDSL awards to students.[2]

The first method listed--payments disbursed directly to students at the start of each academic term--is, on the whole, preferred by most students since it places their aid money directly in their hands and does not place any outside constraints on the way in which they manage their resources (i.e., they can use the money for tuition and/or living expenses). Obviously, however, in the case of an overaward, the financial aid office would be forced to collect the overaward from the student.

The next three procedures--which involve crediting students' accounts and/or awarding on schedule with academic progress--are better suited to easier, more reliable overaward recoveries. By crediting payments to the student accounts, schools automatically (once the student's signature is obtained) apply the financial aid money to payment for tuition, fees, and applicable room and board charges. Any remainder is paid to the student, but the bulk is used as part of this credit. If a student is found to be overawarded, the money, in many cases, is reimbursed to the financial aid office from the tuition or rooming reimbursement which the student would have been entitled to receive. The next two methods, which base disbursement according to the rate of academic progress, could potentially eliminate overawarding caused by student withdrawal. In a sense, though, this is the least attractive method, from the institution's standpoint, due to the administrative burden it imposes.

---

[2] CWS funds are disbursed on an "as-earned" basis throughout the period of the student's employment.

TABLE 12.1: PERCENT OF SPECIFIC PROCEDURES USED TO DISBURSE BEOG, SEOG, AND NDSL PAYMENTS, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79

	Procedure Used					
	Payments Made Directly To Students	Payments Credited Directly To Student Account At Start Of Year	Mutiple Payments As Academic Progress Is Made	Multiple Credits As Academic Progress Is Made	Other	Total
4-Year Public						
BEOG	53	33	7	0	7	100
SEOG	53	30	5	0	12	100
NDSL	56	24	4	6	16	100
4-Year Private						
BEOG	19	72	2	0	7	100
SEOG	24	69	2	0	5	100
NDSL	31	58	2	0	9	100
2-Year Public						
BEOG	40	24	16	0	20	100
SEOG	46	18	18	0	18	100
NDSL	50	17	22	0	11	100
2-Year Private						
BEOG	10	60	10	10	10	100
SEOG	22	56	11	11	0	100
NDSL	25	38	12	12	13	100
Proprietary						
BEOG	35	31	12	8	15	100
SEOG	22	39	17	17	17	100
NDSL	20	40	17	13	20	100
Institutions Reporting:						147

Source: Institutional Site Visit Survey.

Table 12.1 reveals several trends in the disbursement of Federal aid awards to students. There is a notable propensity for private schools to employ a student account system, while public institutions are more prone to disburse aid dollars directly to the student. The use of a student account system will ensure that the private school's tuition bill is paid before the student can begin to match his/her resources to his/her living expenses. As has been noted in Chapter 8 of this volume, tuition charges account for a much larger proportion of all student expenses at private schools than at public institutions, which may be a contributing factor to this practice. Multiple disbursement systems based on academic progress are used primarily by 2-year and proprietary schools. This may indicate that these schools perceive their students as being the most vulnerable to withdrawal or course load changes. Among the responses which were provided indicating the use of "other" institutional practices for the disbursement of Federal aid to students are 10 schools which indicate that they disburse Basic Grant awards via the Alternate Disbursement System (ADS) and/or do not participate in the Campus Based programs; others which make disbursements at a varying number of times during the semester; and some institutions which use still other practices which best suit their individual circumstances.

Procedures To Prevent Multiple Or Overawarding Of Aid

In preventing multiple awards and overawarding (see Table 12.2), most institutions rely upon closely coordinated activities with other administrative offices, specifically the registrar's and bursar's offices. Through this practice, aid officers are able to keep close track of student enrollment status, course loads, and financial awards made to students from outside sources.

Maintaining contact with other postsecondary institutions attended by an aid recipient is another common practice. By making use of a "financial aid transcript," aid officers are provided with a record of past grant, loan, and work-study monies awarded to an incoming transfer student. This is especially useful in keeping track of the cumulative amount of NDSL and SEOG awards which a student has received.

Another but less common practice used to prevent overawarding is to recalculate the student's award amount. This practice allows the aid officer to determine if a miscalculation and subsequent error in packaging the award was made. Other methods mentioned include: (a) that

TABLE 12.2: PERCENT OF PROCEDURES USED TO TO PREVENT MULTIPLE OR OVER-AWARDING OF AID: ACADEMIC YEAR 1978-79[1]

	Percent
Close coordination with registrar's office to monitor withdrawals	80
Close coordination with bursar's office to monitor refunds	76
Contacting all other postsecondary schools attended by applicant to ensure that no awards were made	63
Recomputing award amount a second time to validate the first computation	30
Requiring a tax form to validate each SER/application	20
No payments made prior to the end of the add/drop period	19
No payments made prior to the end of the refund period	19
Other procedures	31
No formal procedures	4
Institutions Reporting:	167

Source: Institutional Site Visit Survey.

[1] Percentages reflect the multiple response potential of the question.

a student submit appropriate tax forms to validate information given on aid applications; (b) that no payments are made prior to the end of the drop/add period; and (c) that no payments are made prior to the end of the refund period. Although these practices do not seem to be as common as those cited above, they do appear to occur with equal frequency.

Of the responses contained in the "Other Procedures" heading on Table 12.2, most make mention of the use of coordinated manual record keeping systems. Some institutions utilize master control cards or else conduct periodic reviews of financial aid folders.

Very few institutions are recorded as not having any formal method of preventing overawarding. But of those that do not, the most common reasons stem from the institutions which participate in only the BEOG program or those where the number of recipients is just too small to warrant any specific prevention activities.

Student Withdrawal and Course Load Changes

The financial aid office can best monitor student withdrawals or changes in course loads if it is fully integrated into the institution's practices regarding these matters. As Table 12.3 reveals, of the institutions surveyed, 33 percent require students to formally notify the financial aid office before permission to withdraw or change course load is granted. This may involve the signing of a document by the financial aid office, which the student then presents to the registrar with his/her course change (additional signatures may be required from the bursar, parking violations office, campus housing office, library, or other school departments as part of this process). The remaining two-thirds of the institutions utilize a variety of other methods in order to monitor student enrollment status. These methods involve mostly the periodic monitoring of enrollment or other rosters in order to spot potential problems.

Recovering Awards

Although the U.S. Office of Education requires institutions to collect aid funds which may have been overawarded to students, some schools report difficulties in complying with this regulation. Of the institutions surveyed, 25 percent provided information with respect to recovering portions of grant aid from students who withdrew or otherwise changed their enrollment status. Of these, 37 percent indicated that they experienced no difficulty in recovering these awards or that no recovery was necessary; another 31 percent noted that they were in the process of retrieving these funds. Student resistance accounts for 37 percent of the explanations for failure to collect the money, and another 11 percent can be attributed to the institution's failure to pursue this activity. Table 12.4 summarizes the reasons for not having recovered all of the amount of awards due.

TABLE 12.3: PERCENT OF INSTITUTIONS USING SPECIFIC PROCEDURES FOR NOTIFICATION OF THE FINANCIAL AID OFFICE OF A CHANGE IN STUDENT'S COURSE LOAD OR ENROLLMENT STATUS: ACADEMIC YEAR 1978-79[1]

	Percent of Institutions
Financial aid office must approve a student's change in course load or enrollment status	33
Financial aid office is automatically informed	33
Financial aid office is notified on a delay basis, but within 60 days	12
Financial aid office checks academic progress of students periodically or continuously	22
Financial aid office periodically receives lists of withdrawn students	10
Financial aid office employs other or informal means to monitor enrollment status	10
Institutions Reporting:	162

Source: Institutional Site Visit Survey.

[1] Percentages reflect the multiple response potential of the question.

TABLE 12.4: PERCENT OF REASONS FOR FAILING TO RECOVER ALL OF THE AMOUNT OF BEOG AND SEOG AWARDS OWED TO INSTITUTIONS: ACADEMIC YEAR 1978-79

In the Process of Recovering Awards	Percent
Still waiting	17
Turned over to Basic Grants for collection	12
Students have agreed to pay	2
Student Resistance	
Students do not care to pay back/student delinquent	19
School contacted the students and did all it could do to recover funds	9
School was unable to reach or locate students after repeated attempts	9
Institutional Shortcoming	
Lack of cooperation from the Business Office	5
Low number of students in category/school does not pursue case	4
Conflict with other duties precludes any expenditures of effort on this activity	2
Institutions Reporting:	58

Source: Institutional Site Visit Survey.

SUMMARY

In general, it is in the institution's best interest to maintain an efficient system for monitoring the academic program of student aid recipients. As part of the responsibilities which are attached to the recept of Federal aid funds, institutions must insure that none of these monies are misappropriated. Schools can either attempt to disburse funds in a manner which requires academic progress as a prerequisite for the receipt of aid, keep close tabs on the student throughout the academic year, or apply some combination of the two. It is apparent that the size of the institution as well as the personnel and resources (e.g., computers) available to perform monitoring functions can predetermine the scope of the monitoring activities undertaken. The consequences for institutions which do not properly monitor the progress of aid recipients could potentially include the loss of eligibility for Federal student aid.

13

VERIFYING REPORTED DATA: STUDENT VALIDATION

INTRODUCTION

As the scope of Federal financial aid programs has grown over the years, the U.S. Office of Education has become increasingly aware of the need to detect and correct program abuses. During the 1975-76 academic year, USOE conducted a validation study to assess the extent of misreporting on Basic Grant Applications. In part, this effort was designed to identify the extent of program abuses. The results indicated that 18.5 percent of the Basic Grant applicants had incorrectly reported income data. However, the majority of these inaccuracies resulted from ignorance of the regulations or carelessness on the applicant's part. Only 10 to 20 percent of the errors were attributed to deliberate misreporting.

With cooperation from USOE, private need analysis services and educational institutions, validation systems were developed to check the "truthfulness" of financial information given by parents and students. Different methods of validation are used with both the Basic Grant and Campus Based programs and these are outlined in this chapter. Also contained in this section is a discussion of the effects which validations have upon student awards.

Validation of BEOG Applications

There are three basic methods by which BEOG applicants are selected for validation. They are as follows:

1) Institutional referrals: Questionable cases are referred to the Office of Education when an institution cannot resolve them alone;

2) USOE Referrals: Suspicious cases are identified for the Office of Education by its processing contractor;

3) Pre-established criteria cases: Applications that contain data which is indicative of misreporting are automatically flagged for validation.

Table 13.1 presents the number of BEOG validations performed via each of the above methods for the year 1975 through 1978. (This data was compiled by Applied Management Sciences for an earlier study on BEOG validations.)

TABLE 13.1. NUMBER OF STUDENTS SELECTED FOR BEOG VALIDATION VIA VARIOUS SELECTION METHODS: ACADEMIC YEARS 1975-78

	Academic Year		
	1975-76	1976-77	1977-78
Institutional Referrals	700	900	1,000[1]
USOE/ACT Referrals[2]	-	-	1,400[1]
Pre-Established Criteria	1,200	6,000	8,000

Source: Applied Management Sciences. Validation of Student and Parent Reported Data on the Basic Grant Application Form. (Silver Spring, MD: July 1978), p. 12.

[1] Anticipated.

[2] Included with Institutional Referrals prior to 1977-78.

All three types of validation selection procedures result in students and parents being sent an initial letter identifying the data items for which they must supply documentation. Such documentation may take the form of Federal Income Tax Forms (1040 or 1040A), W-2 forms, or notarized statements.

RESULTS: INSTITUTIONAL VALIDATION PROCEDURES

BEOG validations may also be performed by the institutions. Most institutional validation procedures involve source documentation of the reported data. Table 13.2 presents data collected from the institutions in this study, detailing the percentage of institutions that utilize the most common validation practices.

TABLE 13.2: PERCENT OF INSTITUTIONS USING SELECTED PROCEDURES TO VALIDATE BEOG APPLICATION DATA: ACADEMIC YEARS 1977-78 AND 1978-79[1]

	1977-78	1978-79
Compare BEOG applications with other financial aid applications submitted by students	68	71
Require IRS 1040 tax return forms	56	77
Require documentation of nontaxable income	35	49
Require documentation of dependency status	32	52
Other procedures to validate data items	13	22
BEOG applications are not validated	24	10
Institutions Reporting	158	167

Source: Institutional Site Visit Survey.

[1] Percentages reflect the multiple response potential of the question and are based on the number of respondents.

The data presented in Table 13.2 indicates that BEOG validation is becoming a progressively more common as well as a more detailed practice. Validations were performed at a significantly higher rate during the 1978-1979 academic year as compared to that of 1977-1978. The greatest increases in the validation of specific items occurred in relation to income sources (both taxable and nontaxable) and dependency status. In practice, these are the factors which will potentially have the greatest bearing on the resulting Student Eligibility Index (SEI).

As of the 1978-1979 academic year, 10 percent of the institutions reported that they do not validate BEOG applications. While this is a marked improvement over the 24 percent which did not validate for the 1977-78 period, it is still a rather high level of deviation from USOE standards of practice. The "other" validation practices identified by institutions included: requesting letters signed by parents attesting to the accuracy of certain information; requesting other unspecified forms of documentation; and scheduling conferences with students. Some other institutions summed up their practices by reporting that they acted in total compliance with the USOE validation manual.

If the validation of a student's application reveals the presence of invalid data, various methods can be employed by institutions to correct this information. As indicated in Table 13.3, the most common means used is the personal interview. By sitting down with the student on a one-to-one basis, the aid officer can attempt to correct all questionable data. This procedure can best ensure that the student's BEOG award is processed without undue delay and that the aid office does not inadvertantly overaward the student. Some institutions rely on USOE to reconcile validation questions after the student has been given the opportunity to correct the data. Other procedures, such as contacting parents directly, are also used.

Additionally, table 13.3 displays an increase in the use of student appointments to correct invalid data (77% to 89%). A notable decrease is shown in the number of institutions that do not attempt to correct this data (16% to 5%).

TABLE 13.3: PERCENT OF INSTITUTIONS USING SELECTED PRACTICES TO CORRECT INVALID DATA ITEMS ON BEOG APPLICATIONS: ACADEMIC YEARS 1977-78 AND 1978-79[1]

	1977-78	1978-79
Schedule appointments with students, assist them in correcting the data, and have them re-sign their SERs	77	89
Refer to USOE after giving students the opportunity to correct the data	23	25
Other procedures are used to correct invalid BEOG data	14	17
Institution uses no procedure to correct invalid BEOG data	16	5
Institutions Reporting:	158	163

Source: Institutional Site Visit Survey.

[1] Percentages reflect the multiple response potential of the question and are based on the number of respondents.

Validation of Campus Based Applications

Due to the centralized processing of Basic Grants, USOE has been able to take major steps to ensure the proper validation of student and parent reported application data. However, the validation of Campus Based aid applications must be handled at the institutional level. As Table 13.4 illustrates, most institutions employ one or more methods to validate data reported on Campus Based applications. These procedures are similar to those used for BEOG validations. The heavy reliance on comparing various documents in a student's file and requesting proper documentation are repeated here. The table also demonstrates that there has been a general trend towards increasing validation procedures in all categories from the 1977-78 academic year to the 1978-79 academic year. A decrease in the number of schools that do not validate Campus Based applications is also apparent.

TABLE 13.4: PERCENT OF INSTITUTIONS USING SELECTED PROCEDURES TO VALIDATE DATA ITEMS ON CAMPUS BASED AID APPLICATIONS: ACADEMIC YEARS 1977-78 AND 1978-79 1/

	1977-78	1978-79
Compare Campus Based applications with other financial aid applications Submitted by students	69	72
Require IRS 1040 tax return form	67	78
Require documentation of dependency	44	53
Require documentation of nontaxable income	40	47
Other	18	22
Campus Based applications are not validated	15	9
Institutions Reporting	144	148

Source: Institutional Site Visit Survey.

1/ Percentage reflect the multiple response potential of the question and are based on the number of respondents.

As displayed in Table 13.5, institutions which attempt to correct invalid data on Campus Based applications are most likely to make these corrections after examining supporting financial documentation. The use of personal interviews to discuss the data in question is another procedure commonly employed. These interviews are conducted by financial aid officers with students or parents. Some of the "other" responses

TABLE 13.5 PERCENT OF INSTITUTIONS USING SELECTED PROCEDURES TO CORRECT INVALID DATA ITEMS ON CAMPUS BASED APPLICATIONS: ACADEMIC YEARS 1977-78 AND 1978-79

	1977-78	1978-79
Use documentation (e.g., 1040 forms) to make corrections and recompute awards	47	49
Interview with student or parents	36	38
None/haven't had to correct data	14	9
Other procedures	3	4
Institutions Reporting:	164	161

Source: Institutional Site Visit Survey.

given by institutions include: "refer to OE"; "have student complete a new application"; and "take appropriate action on a case-by-case". The results also display a decrease in the number of institutions not correcting invalid data on Campus Based applications.

The Validation Process and The Student

It can be noted from the responses given on the Student Questionnaire that only 4.2 percent of the students reported that their 1978-79 BEOG applications were validated. On the average, dependent students reported that they spent an average of 13.7 hours in providing the requested documentation to verify information reported on the SER, while independent students reported that they spent an average of 12.6 hours.

From the totals in Table 13.6, it can be noted that more than one-half (58.3%) of the validated students did not experience a change in their BEOG aid awards. Another 29.1 percent of the students saw their awards increased while 12.6 percent saw a decrease. In all but 2-year private institutions, any change in the award amount was more apt to be an increase rather than a decrease.

TABLE 13.6: ESTIMATED EFFECT ON BEOG AWARDS AS A RESULT OF VALIDATION, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79

	ALL SCHOOLS	Institutional Level and Control				
		4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
No Change	58.3	67.0	54.2	54.6	60.2	43.5
Award Increased	29.1	26.3	29.0	24.3	19.2	34.5
Award Decreased	12.6	6.7	16.8	21.1	20.6	22.0

Source: Student Survey.

As can be seen in Table 13.7, lower income dependent students are more likely to have their BEOG awards increased while higher income dependent students generally experience no change or a decrease in their awards after validation. When validating the BEOG applications of independent students, the greatest majority of these students (55%) do not experience a change in their awards. Slightly more than one-quarter (26%) have their awards increased, while a somewhat smaller number (18%) have experienced a decrease in their award.

From the results presented in Tables 13.6 and 13.7, it appears that the process of validating Basic Grant applications has not resulted in "punitive" actions (e.g., reduced awards) being taken against large numbers of students. This process has apparently served to ensure that the distribution of Basic Grant dollars accurately reflects the financial need of the applicant pool.

SUMMARY

Validations are performed to check the "truthfulness" of information provided on aid applications. The validation of BEOG and Campus Based applications most often require source documentation of the data

TABLE 13.7: ESTIMATED EFFECT ON BEOG AWARDS AS A RESULT OF VALIDATION BY PARENTAL INCOME LEVEL: ACADEMIC YEAR 1978-79.

	No Change	Award Increased	Award Decreased
Dependents			
$0-$5,999	65.3	31.9	2.8
$6,000-$11,999	52.1	37.0	10.9
$12,000-$17,999	65.7	22.7	11.6
$18,000-$24,999	73.4	4.5	22.1
$25,000 or more	81.5	2.9	15.6
Independents	55.4	26.3	18.3

Source: Student Survey.

reported. This documentation is frequently obtained either from other financial aid applications completed by the student or from tax forms. Of those students whose award level is changed after validation, the majority experience an increase rather than a decrease in their award levels. This is especially the case for independent students and for dependents with family incomes less than $18,000.

The validation of student reported data has become an area of increasing concern for USOE and for many institutions. The recent efforts which USOE has embarked on in order to verify information reported on applications for Basic Grant awards, as evidenced by the increasing number of Federal validations performed, is indicative of the emphasis which is being placed on this aspect of the aid process. Regarding eligibility for the Campus Based programs, it will be the institution's responsibility to perform their own validation procedures. If they chose to ignore the USOE initiative which ensure that student reported information is accurate, schools will risk Federal sanctions.

APPENDICES

APPENDIX A

List of Other Reports Produced as Part of this Contract
By Applied Management Sciences, Inc.

APPENDIX A

MAJOR PROJECT DELIVERABLES

1) Stage I Final Report. Volume I: Federal Management Practices
2) Stage I Final Report. Volume II: Funding History and the Overall Achievement of Program Goals
3) Stage I Final Report. Volume III: Regional Office Procedures
4) Stage I Final Report. Volume IV: BEOG Simulation Study
5) Supporting Statement for the Request for OMB Clearance and Data Collection Instruments: Site Visit Study
6) Interviewer's Training Manual
7) Editor's Manual
8) Supporting Statement for the Request for OMB Clearance and Data Collection Instrument: Mail Survey of Institutions
9) Site Visit Report
10) Data Processing and File Documentation Report for the Student Survey
11) Sample Design, Yield, and Bias Report for the Student Survey
12) Yield Report for the Institutional Mail Survey
13) Data Processing and File Documentation Report for the Mail Survey of Institutions
14) Study of the Impact of the Middle Income Student Assistance Act (MISAA)

APPENDIX B

The Current Financial Aid Programs Administered by the U.S. Office of Education

APPENDIX B

THE CURRENT FINANCIAL AID PROGRAMS ADMINISTERED BY THE U.S. OFFICE OF EDUCATION

As discussed in Chapter 2, Congress has established within the U.S. Office of Education (USOE) a variety of student aid programs to remove the economic barriers to attendance at postsecondary institutions for persons from all classes of society who have the ability and desire to benefit from such education. To accomplish this objective, the Federal government offers three types of financial aid through five programs, all of which are based solely on the student's financial condition and are without regard to race, sex, his/her scholastic ability, desired course of study, etc. These programs of financial aid are divided into three types:

(1) Loans: funds which a student borrows and repays after graduation or termination; including,

  a) National Direct Student Loan (NDSL),
  b) Federal Insured Student Loan (FISL) or State Insured Student Loans (collectively known as the Guaranteed Student Loan program);

(2) Grants (or nonreturnable aid): funds which are gift assistance and need not be repaid; including,

  a) Basic Educational Opportunity Grant (BEOG),
  b) Supplemental Educational Opportunity Grant (SEOG); and

(3) Work: a program in which the student may earn a portion of his/her educational costs while attending school, namely, the College Work-Study (CWS) program.

Programs of Federal student financial aid vary as to the degree of direct responsibility the institutional aid administrator must assume. Those programs for which the institution has considerably more control and obligations--namely, the Supplemental Educational Opportunity Grant, the National Direct Student Loan, and the College Work-Study programs--have traditionally been called Campus Based or Institution Based to signify this greater involvement. They are different from the BEOG program under which students apply directly to the Office of Education for an entitlement which can then be carried to any school of their choice. The amount of the grant is outside the control of the financial aid officer.

a. The Basic Educational Opportunity Grant Program (BEOG)[1]

The BEOG program was authorized under Subpart 1 of Part A of Title IV of the Higher Education Act of 1965, as amended by the Education Amendments of 1972 and 1976. Its purpose is to provide eligible students with a "foundation of financial aid to help defray the costs of postsecondary education."[2] It is an entitlement program by which a student has the legal right to receive a grant if all application and eligibility requirements have been fulfilled.

The Basic Educational Opportunity Grant program is the newest of the Federal student financial aid programs and is designed to provide a "floor" upon which other financial aid programs are built. Unlike the National Direct Student Loan, College Work-Study, and Supplemental Educational Opportunity Grant Programs, there is no institutional allocation process. Rather, the institution receives the total amount needed to fund all eligible students in attendance. Students may apply either by completing a USOE Basic Grant application, or by indicating on the ACT, CSS, State of Pennsylvania, or State of New Jersey student aid forms their desire to have the data forwarded to the central processor in Iowa City where a nationally uniform formula, approved annually by Congress, is utilized. The result of this analysis is not subject to any discretionary latitude on the part of the financial aid officer, who must merely apply the result to a Payment Schedule based upon the student's cost of attendance (as defined by BEOG), and his/her enrollment status (half, three-quarter or full-time) and finally adjust it if the program is less than eight months in length or crosses the award period (7/1 through 6/30). Funds are normally disbursed through the institution, but a school may elect to have USOE make payments directly to the student.

---

[1] The material provided here has been extracted from the Financial Aid Tool Kit, developed by Ms. Alice Diamond for the National Association of Trade and Technical Schools.

[2] Basic Grant Handbook, 1977-78, p. 1-1.

(See below, the Alternate Disbursement System (ADS).) The following is a summary of the major program characteristics:

Type of Aid: Nonrepayable gift assistance applied for directly through the Federal government.

Minimum and Maximum: During academic year 1978-79, BEOG scheduled awards ranged from $200 to $1,600 (e.g., for the academic year 1979-80 the maximum BEOG award was raised to $1,800). The range may vary yearly depending upon Congressional approval of funds. The Basic Educational Opportunity Grant is awarded by award period (July 1 through June 30th), rather than by the student's academic program, as is the case in Campus Based programs. If a student's academic year crosses the government's award period, it is necessary to file two applications--one for the period covering the remainder in the first award period, and the next for the ensuing award period.

Cumulative Awards: Normally, a student may receive BEOG for no more than four academic years. The exception to this is in the case of courses which are designed to extend for five years, or where remedial coursework necessitates one additional year. If the student has been attending parttime, and thus receiving reduced benefits, his period of entitlement will be proportionately extended so as to allow a maximum of four (or five, if applicable) full "Scheduled Awards." The BEOG program monitors the number of periods of eligibility used by each student. Students who have less than a full year of eligibility remaining will have this noted on their Student Eligibility Reports (SER). The institution should check this information to assure that no awards are made to students whose eligibility has expired.

Institutional Eligibility: In order to participate in the BEOG program, an institution must be certified as eligible by the Division of Eligibility and Agency Evaluation in the U.S. Office of Education. If the institution elects to disburse funds directly to the student (as do most institutions), an "Agreement Covering Institutional Participation in Programs of Student Financial Assistance" must be signed before funds will be authorized. In contrast to the Campus Based programs, no time lag between determination of institutional eligibility and student participation is necessary. Students enrolled in institutions which become eligible during a given award period may receive their full entitlement for the year even if the eligibility determination and receipt of BEOG authorization are not received until late in the year.

Program Eligibility: Within an institution's course offerings, certain programs may be designated as eligible, whereas others may be declared ineligible. This relates to the length of the course and whether a high school diploma or recognized equivalent is required of regular students. In addition to the program eligibility requirements outlined below for CWS, NDSL, and SEOG, to be eligible under BEOG, a program must lead to a degree or certificate in a recognized occupation.

Student Eligibility: Finally, student eligibility must be determined. In order to receive a BEOG, a student must:

1. be a U.S. citizen or national of the United States, or a resident of the United States for other than temporary purposes, as evidenced by an I-151 visa (permanent or resident alien card);
2. be enrolled in an eligible program in an eligible institution;
3. be enrolled at least half time (12 clock hours per week). Awards for students who are enrolled at least half time, but less than full time (24 clock hours), are proportionately reduced under this program;
4. be making satisfactory progress in his/her course of study;
5. not be in default on a loan obtained for attendance at the institution or owe a refund on a grant received at the institution;
6. be an undergraduate. If a student has received a bachelor's degree from another institution, he/she is ineligible to receive a BEOG despite the fact that the current level of training pursued is at the undergraduate level or that the previous institution was ineligible;
7. demonstrate financial need by means of the BEOG application.

Student Application Process: The student obtains either a BEOG application, the American College Testing application (Family Financial Statement--the FFS), the College Scholarship Service application (Financial Aid Form--the FAF), or if eligible to do so in the States of New Jersey or Pennsylvania, the appropriate state financial data collection forms. ACT, CSS, and the States of New Jersey and Pennsylvania have entered into contracts with the U.S. Office of Education to transmit the data received to the USOE processor for calculation. This system, called multiple data entry, is a boon to students and parents as it means that only a single form need be completed to determine eligibility to receive both Campus Based aid and/or BEOG.

After the application is completed, the student submits it either to the need analysis servicer being utilized (e.g., ACT or CSS), or to BEOG in Iowa City if the regular BEOG application has been used.

The processing center, based upon a formula approved by Congress, calculates the student's Eligibility Index and communicates this directly to the student's home via a Student Eligibility Report (SER).

The student submits his/her SER to the institution he/she plans to attend where the scheduled award is calculated based upon the BEOG cost allowances for the school, the student's Eligibility Index, and the Payment Schedule. Awards are further adjusted for less than full-time attendance and for academic periods less than nine months in length.

The institution requests from the DHEW Federal Financing Systems (DFAFS), via the Monthly Cash Request Form, an amount of cash sufficient to award first payments to those students starting classes during the month, as well as for subsequent disbursements for those students now qualifying for a subsequent payment.

The institution disburses the award to the student either by check or by credit to the student's account. In the latter case, a signed receipt or schedule of anticipated disbursements must be obtained from the student. The student must also sign an affidavit attesting to the fact that Federal aid dollars which he/she receives will be used for educational purposes.

Validation of USOE Selected Sample: In addition to the routine review which was always encouraged for financial aid officers with respect to a student sample selected by USOE, institutions will now be required to verify certain data elements before any disbursement of funds is made. This sample of 200,000 applicants will be selected primarily on the basis of criteria indicating a high probability of questionable data. A student so selected will have his/her SER "flagged" by an asterisk next to the eligibility index in the final award section. Additionally, the student will receive an accompanying letter and Validation Form with the SER. All subsequent application corrections made by the student during the year will also be flagged.

Award Disbursement: Payments must be made in equal amounts each semester, trimester, or quarter if the institution utilizes such academic units. If the school does not have such divisions, at least two disbursements must be made per year: once at the beginning and then again no earlier than the midpoint of the portion of the student's academic training falling in that award period.

The Alternate Disbursement System (ADS): The Alternate Disbursement System provides payments to eligible students enrolled at eligible institutions which do not wish to disburse payments directly to students.

Under the ADS system, a student completes Part A of a "second-stage" application (OE Form 304) and then submits it to the institution for certification. Copies of this completed form and the SER are then mailed back to the BEOG processor. After processing, a Treasury check for the first payment will be mailed, along with instructions for applying for subsequent payments (via the Form 304-1).

Application Deadlines: Applications for awards to cover the 1978-79 school year must have been received by the processor no later than March 15, 1979. This was also the deadline for receipt of Supplemental Forms. Corrections to previously processed applications must have been received by May 5. The exception to this is in cases selected for validation.

Institutional Reporting Requirements: Two types of institutional reports are required under the BEOG program:

A. The Progress Report

A report submitted three times a year (November 15, March 15, and July 15) which assesses current expenditures in order to determine if the institution's authorization should be raised or lowered.

B. The Student Validation Roster

An end-of-year report which reconciles fiscal accounts and gives a per-student reporting of expenditures.

b. The Supplemental Educational Opportunity Grant (SEOG) Program

The Supplemental Educational Opportunity Grant program (SEOG) is the current name for the Educational Opportunity Grant program which was authorized by Title IV, Part A, of the Higher Education Act of 1965 (P.L. 89-329), as amended.

The purpose of the SEOG program is to provide supplemental grants to assist qualified students who, for lack of financial means, would be unable to obtain the benefits of postsecondary education without such a grant.

Type of Aid: Nonrepayable gift assistance for the exceptionally needy student.

Minimum and Maximum: SEOGs range from $200 to $1,500 for an academic year. If the period for which the award is being made is less than 8 months or 900 clock hours, the applicable minimum and maximum are proportionately reduced. For example, if a student is enrolled in a six-month course with 600 clock hours, the minimum SEOG that could be received would be $150, and the maximum would be $1,125.

Cumulative Awards: There is also a maximum cumulative SEOG award of $4,000. Thus, if a student has received SEOG at another school, the institution must correspond with the other institution to learn the exact amount of the previous award.

Institutional Eligibility: In order to participate in the SEOG program, an institution must be certified as eligible by the Division of Eligibility and Agency Evaluation of the U.S. Office of Education.

Program Eligibility: Within the school's course offerings, certain programs may be designated as eligible, whereas others may be declared ineligible. To be an eligible program under SEOG, a course must be 6 months and 600 clock hours in length and, if a proprietary school, must admit as regular students only persons with a high school diploma or recognized equivalency or, if a public or other nonprofit school, admit only students beyond the compulsory age of school attendance who can benefit from a postsecondary program.

Student Eligibility: Finally, student eligibility must be determined. In order to receive an SEOG, a student must:

1. be a U.S. citizen, a resident of the Trust Territories of the Pacific, or in the United States for other than temporary purposes, as evidenced by an I-151 visa (permanent or resident alien card);
2. be enrolled at least half time (12 clock hours per week). A clock hour is defined as a 50- to 60-minute class, lecture, recitation, faculty supervised laboratory, shop training, or internship;
3. be making satisfactory progress toward a degree or certificate and be in good standing according to institutional standards;
4. not be in default on a loan received for attendance at the institution or owe a refund on a grant received at the school;
5. be of "exceptional" financial need. Exceptional financial need is defined as having a family contribution of less than one-half of the total costs associated with attendance at the institution.

Example:

	tuition and fees	$2,000
	books and supplies	175
	personal expenses	450
	transportation	250
	room and board	1,600
a.		$4,475
b.	family contribution	$2,000

Result: Student is eligible since family contribution (b) is less than one-half student budget (a).

6. be unable to pursue the course of study were it not for the SEOG. Because of the vagueness of this regulation, USOE has counseled institutions to take a common-sense approach. It is not expected that a student would be required to borrow the maximum allowable or to work an unreasonable number of hours per week. Rather, it is expected that attempts will be made to provide some "self-help" (loan or work) in each student's package unless documentable justifications exist as to why this should not be done.

7. be an undergraduate--whereas the training at the institution is always considered to be undergraduate in nature, it must be remembered that no student who has already earned a bachelor's degree may receive an SEOG. Therefore, if a student has received a bachelor's degree at another institution, he may NOT receive an SEOG by virtue of the fact that he is once again an undergraduate. This is true whether or not the first school is an eligible institution.

Method of Application:

1. For the Institution: The institution applies for these funds annually, for all eligible students, by means of the Tripart Application. The Tripart is normally due in mid-October for funds beginning in July of the following year.

   In order to receive funds, an institution must be declared eligible by the USOE Division of Eligibility and Agency Evaluation by January 31st of the year in which it will be receiving funds. Requirements for eligibility include national accreditation by the relevant USOE recognized accrediting body, course entrance requirements of a high school diploma or recognized equivalency, completion of OE Form 1059, and the signing of HEW Form 441, civil rights compliance.

2. For the Student: The student applies directly through the institution for such funds. An analysis of the student's financial need and the submission of various other forms are required.

SEOG "Matching": In determining the amount of SEOG to be awarded, the aid officer must bear in mind that a student receiving SEOG must also receive an equal amount of some other source or combination of sources of eligible aid funds.

The following are eligible sources of SEOG "matching funds":

1. College Work-Study
2. National Direct Student Loan
3. Basic Educational Opportunity Grant
4. Federally Insured Loan--ONLY IF A SCHOOL IS A DIRECT LENDER
5. Institutional employment
6. Outside scholarships from a private organization
7. State scholarships or grants
8. For other types of aid (i.e., grants not from a private organization or the state, and loan and work from any source) only if the institution selects the recipient and determines the amount of the award.

Award Disbursement: An SEOG must be disbursed at least twice during a student's academic year. If the institution utilizes quarters or semesters, it must disburse funds according to these divisions. If, on the other hand, it has no such academic terms, it is required to reserve at least half of the grant amount until the midpoint. No funds should be disbursed until the student actually starts classes. The SEOG may be disbursed 1) as a credit to the student's account, 2) by a check to the student which is then endorsed over to the institution for institutional charges, or 3) by a check to the student for living costs. If the award is disbursed as a credit to the student's account, a signed receipt by the student must evidence this disbursement.

In the SEOG program, a distinction is made between students who have previously received SEOG, and those for whom this is the first academic year of their award. The first-year award is called an initial year (IY) award, with subsequent awards deemed continuing year (CY) funds. In other words, a student should not receive CY funds until a full academic year has been completed and a new application, evaluation of need, and other documents have been collected.

Transfer Between SEOG and CWS: An institution is permitted to transfer up to 10 percent of its highest allocation between these two programs.

Reporting Requirements: In addition to the annual application for funds (the Tripart Application), the institution must file a final fiscal report on program activities. This report is normally due August 15th for the year ending June 30th.

c. The College Work-Study Program

The College Work-Study (CWS) Program was authorized by Title IV, Part C, of the Higher Education Act of 1965 (P.L. 89-329), as amended. The purpose of the CWS program is to extend part-time employment opportunities to students who are in need of the earnings from such employment in order to pursue courses of study at institutions of higher education. By subsidizing the part-time employment of needy students, the program is intended to promote the equality of educational opportunity at the postsecondary level.

Under the College Work-Study program, funds are provided to eligible institutions to create job opportunities for their students who are in need of such earnings in order to attend a postsecondary school. In profit-making, private vocational schools, all employment must be work in the public interest for public or private nonprofit off-campus agencies. No on-campus employment is permissible at these institutions. It must also be noted that proprietary schools may not hire students in nonprofit organizations which are owned or controlled by the school, or by the corporation, association, partnership or individual which owns or controls the proprietary institution. The only exception to the prohibition against "on-campus" employment would be vocational schools which are incorporated as private, nonprofit institutions and are so recognized by the Internal Revenue Service. If the institution is incorporated as a nonprofit entity, it may employ students at the school.

The institution is responsible for all phases of program administration including selection of recipients, determination of the award, job development, job placement, supervision, and maintenance of records. Under the CWS program, the Federal share of compensation is limited to 80 percent of the gross earnings. The agency must contribute at least 20 percent plus the employer's share of applicable taxes.

Type of Aid: Federally subsidized work opportunities for needy students who elect to earn a portion of their educational expenses.

Minimum and Maximum: There is no minimum or maximum award, except that the student's need, as determined by an approved needs analysis system, may not be exceeded. Students may work up to 20 hours per week at wages set by the employer in cooperation with the school, but not less than the applicable Federal, state, or local minimum wage. Students may be paid subminimum wages if the employer is eligible for an exemption from the minimum wage statutes.

Generally, a student may not work more than an average of 20 hours per week while classes are in session, averaged over the entire enrollment period. As many as 40 hours per week may be worked during vacation periods or at other times when classes are not in session. However, an institution may permit a student to average more than 20 hours per week (but never more than 40 hours in a given week) if the institution determines that the student's need is so great that it cannot be met from the earnings of lower per-week hours. In this case documentation should be on file in the student's folder.

Institutional Eligibility: In order to participate in the CWS program, an institution must be certified as eligible by the Division of Eligibility and Agency Evaluation of the U.S. Office of Education.

Program Eligibility: Within the school's course offerings, certain programs may be designated as eligible, whereas others may be declared ineligible. To be an eligible program under CWS, a course must be six months and 600 clock hours in length and must admit as regular students only persons with a high school diploma or the recognized equivalency.

Student Eligibility: Finally, student eligibility must be determined. In order to receive College Work-Study, a student must:

1 be a U.S. citizen, a resident of the Trust Territories of the Pacific, or in the U.S. for other than temporary purposes, as evidenced by an I-151 visa (permanent or resident alien card).

2. be enrolled at least half time (a minimum of six credit hours for college students, or 12 clock hours per week for vocational students). A clock hour is defined as a 50- to 60-minute class, lecture, recitation, faculty-supervised laboratory, shop training, or internship. If the school is a 2-year institution with a summer break, the student may continue his CWS employment during this vacation period although he is not actually enrolled.

3. be making measurable progress towards a degree or certificate, and be in good standing according to institutional standards.

4. have financial need as determined by a recognized needs analysis system.

Method of Application:

1. For the Institution: The institution applies for these funds annually for all of its eligible students, by means of the Tripart Application. The Tripart is normally due in mid-October for funds beginning in July of the following year. In order to rceive funds, an institution must be declared eligible by the USOE Division of Eligibility and Agency Evaluation by January 31st of the year in which it will be receiving funds. Requirements for eligibility include national accreditation by the relevant USOE recognized accrediting body, course entrance requirements of a high school diploma or recognized equivalency, the completion of OE Form 1059, and the signing of HEW Form 441, civil rights compliance.

2. For the Student: The student applies directly through the institution for such funds. Analysis of the student's financial need and the submission of various other forms are required.

Award Disbursement: Federal regulations require that students must be paid at least monthly. However, most institutions find that biweekly disbursements are preferable in meeting students' needs. It is not acceptable to directly credit any of the Federal portion of the paycheck to a student's tuition account. Rather, if the student has outstanding institutional charges, the institution must ask the student to endorse all or a portion of the check.

The final concern is to assure that a student does not exceed his earnings. Cumulative ledger cards are used for this purpose, and a letter must be mailed to the student and supervisor when a student approaches his CWS award. Regardless of whether the agency or the school is officially the employer, the school retains the responsibility for seeing that meaningful work is being performed. Occasional visits to the job site will provide documentation of this.

Job Location and Development Program: The Higher Education Amendments of 1976 provided for a special program by which the institution could use a portion of its Work-Study authorization to help find part-time jobs for its students. The use of the funds are not to be limited to finding eligible Work-Study positions, but rather can be used as well for locating jobs in the private sector for needy or nonneedy students.

Summer College Work-Study: If the institution is a 2-year program with a summer break, students may be employed during that vacation as long as they have filed a statement saying they intend to reenroll in the fall. If, at any time after signing such a statement, evidence is found that a student does not intend to reenroll, he/she must be terminated from his job immediately.

Students working during a summer period in which they are not enrolled must save the majority of their earnings for the next academic year. Current regulations require that after required taxes are deducted, a student's additional expenses may not exceed $300 or 20 percent of gross wages, whichever is less. Rare, well-documented exceptions can be made to increase these "costs" incident to employment to $600 or 40 percent of gross wages, whichever is less.

Reporting Requirements: In addition to the annual application for funds (the Tripart), the institution must file a final fiscal report on program activities. This report is normally due August 15th for the year ending June 30th.

Transfer Between SEOG and CWS: An institution is permitted to transfer up to 10 percent of its highest allocation between these two programs.

d. National Direct Student Loan

The National Direct Student Loan program (NDSL) (previously known as the National Defense Student Loan program) was established under Title II of the National Defense Education Act (NDEA) of 1958 (P.L. 85-864), as amended. The Education Amendments of 1972 (P.L. 92-328) transferred the program from the NDEA to Part E of Title IV of the Higher Education Act of 1965. The purpose of NDSL is to provide a loan fund at institutions of higher education for the purpose of making long-term, low-interest loans to qualified students in need of financial assistance. To be eligible, the student must pursue study on at least a half-time basis.

Ninety percent of new capital is provided by the Federal government with the remaining 10 percent being contributed by the institution. As with the other Tripart programs, the full administration of the program, including loan collection, is the responsibility of the institution.

An important element of the NDSL program is its revolving nature. That is, as students repay loan obligations, these funds are redeposited in the account for use by future enrollees. The revolving nature of the fund also makes it possible for the institution to carry over funds across fiscal years as long as the Federal funds are drawn down and matched prior to June 30th of the year in which they are authorized.

Type of Aid: Long-term, low-interest loans are repaid at not less than $30 per month, beginning nine months after graduation or termination of at least half time study. Annual interest is three percent of the unpaid balance once payment begins.

Minimum and Maximum: There is no minimum loan. The maximum *total* loan for students who have not yet completed two academic years of postsecondary education is $2,500.

Institutional Eligibility: In order to participate in the NDSL program, an institution must be certified as eligible by the Division of Eligibility and Agency Evaluation of the U.S. Office of Education.

Program Eligibility: Within the school's course offerings, certain programs may be designated as eligible, whereas others may be declared ineligible. To be an eligible program under NDSL, a course must be 6 months and 600 clock hours in length and must, if a proprietary school, admit as regular students only persons with a high school diploma or recognized equivalency or, if a public or other nonprofit school, admit only students beyond the compulsory age of school attendance who can benefit from a postsecondary program.

Student Eligibility: Lastly, student eligibility must be determined. In order to receive an NDSL, a student must:

1. be a U.S. citizen, a resident of the Trust Territories of the Pacific, or in the United States for other than temporary purposes, as evidenced by an I-151 visa (permanent or resident alien card).

2. be enrolled at least half time (12 hours per week). A clock hour is defined as a 50- to 60-minute class, lecture, recitation, faculty-supervised laboratory, shop training or internship.

3. be making satisfactory progress toward a degree or certificate and be in good standing according to institutional standards.

4. not be in default on a loan received (GSL or FISL) for attendance at that institution and not owe a refund on a Federal grant received at that school.

5. have financial need as determined by a recognized need analysis system.

6. indicate a willingness to repay the loan. Regulatory language now prohibits the making of a loan to any student who indicates an unwillingness to repay. Delinquency on a prior loan, or a past history of poor debt payment, may be taken as evidence of unwillingness to repay.

Method of Application

1. For the Institution: The institution applies for these funds annually, for all of its eligible students by means of the Tripart Application. The Tripart is normally due in mid-October for funds beginning in July of the following year.

   In order to receive funds, an institution must be declared eligible by the USOE Division of Eligibility and Agency Evaluation by January 31st of the year in which it will be receiving funds. Requirements for eligibility include national accreditation by the relevant USOE recognized accrediting body, course entrance requirements of a high school diploma or recognized equivalent, course length of at least 6 months and 600 clock hours, completion of OE Form 1059, and the signing of HEW Form 441, civil rights compliance. In addition, (1) the institution must match Federally received funds with a contribution equal to at least one-ninth of the Federal dollars; (2) the institution is responsible for collection of the loans; and (3) collected dollars are reloaned to other students (without the requirement of additional matching).

2. For the Student: The student applies directly through the institution for such funds. An analysis of the student's financial need, a promissory note as evidence of the indebtedness, and the submission of various other forms are required.

NDSL Billing and Collection: Unlike other forms of student assistance, the administration of NDSL is far from completed when the money is disbursed to the student. In fact, the institution's responsibilities have just begun at that juncture. National Direct Student Loans are made without security, to students who are generally unemployed, without assets, extremely mobile, and usually without a tested credit rating. Thus, if the collection program is to be successful, institutions must often put forth efforts greater than those utilized in the collection of conventional loans. Good collection practice begins at the time the loan is made. It is now required by regulation that in addition to the "exit interview" necessary before a student leaves school, an entrance or initial interview must be held. This session, conducted by the financial aid officer at the time the first payment of the loan is disbursed, should at a minimum:

1. Enable the institution to gather vital information about the borrower. It has been found that if personal data such as credit card numbers, names of relatives, driver's license number, etc., are collected at this point in the aid process, the student will tend to give more accurate information than if asked for the same information at graduation when the purpose of such data collection is more evident.

2. Impress upon the student that this portion of his/her aid is a loan and must be repaid.

3. Allow the borrower to raise questions about procedures and terms of the NDSL. Care should be taken to inform the student both of his/her obligation and his/her privileges.

An exit interview must be conducted for each borrower before leaving school. By regulation, the institution must employ all means at its disposal to assure the student's attendance at such interviews. Like the entrance interview, the exit interview is both a give and take procedure. Information on the program will be provided by the aid officer, whereas the student will provide information useful should his account become delinquent. Topics to be reviewed include:

1. the grace period

2. terms of payment-repayment schedule

3. billing procedures (will it be from the institution or from a contracted billing service?)

4. interest, late charges

5. cancellation and deferment procedures

6. acceleration without penalty provision

7. notification of address change

A written record of the Exit Interview and a signed repayment schedule must be retained for program documentation purposes. At the school's discretion these interviews may be conducted on an individual or group basis.